



**\$123,800,000**  
**THE COUNTY OF COOK, ILLINOIS**  
**Taxable General Obligation Variable Rate Bonds, Series 2002A**

**Dated: Date of Delivery**

**Price: 100%**

**CUSIP: 213183U79**

**Due: November 1, 2023**

The Series 2002A Bonds are being offered for sale in book-entry only form and will be registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2002A Bonds and purchases will be made through DTC participants. See "THE SERIES 2002A BONDS — Book-Entry Only System" herein. During any Weekly Rate Mode and Adjustable Rate Mode of less than one year, the Series 2002A Bonds are issuable in denominations \$100,000 and any integral multiple thereof and during the CP Rate Mode, the Series 2002A Bonds are issuable in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Series 2002A Bonds will initially bear interest in a Weekly Rate Mode in accordance with the Indenture of Trust dated March 1, 2002 (the "Indenture"), between The County of Cook, Illinois (the "County") and Amalgamated Bank of Chicago, as Trustee (the "Trustee"). The interest rate on the Series 2002A Bonds may be converted to a CP Rate or an Adjustable Rate at the option of the County at any time in accordance with the Indenture. When bearing interest at a Weekly Rate, interest on the Series 2002A Bonds will be payable on the first Business Day of each month. When in the CP Rate Mode and the Adjustable Rate Mode, interest on the Series 2002A Bonds will be payable from time to time as described herein. The Series 2002A Bonds, when bearing interest at a Weekly Rate, may be tendered for purchase at the option of their owners upon not less than seven calendar days' notice at a price equal to 100% of their principal amount, plus accrued interest to the date of purchase. Series 2002A Bonds bearing interest at a CP Rate or an Adjustable Rate may not be tendered for purchase at the option of the owners thereof.

Purchases of tendered Series 2002A Bonds in the event and to the extent not remarketed by the Remarketing Agent (as defined in this Official Statement) will initially be funded under a Standby Bond Purchase Agreement (the "Initial Liquidity Facility"), among the County, the Trustee and Dexia Crédit Local, acting through its New York Agency.



The Initial Liquidity Facility will expire on March 27, 2007 unless extended or terminated sooner in accordance with its terms. The County has covenanted in the Indenture to maintain a Liquidity Facility (as defined in this Official Statement) for the Series 2002A Bonds while in a Weekly Rate Mode, a CP Rate Mode or an Adjustable Rate Mode of a duration of one year or less.

The Series 2002A Bonds are direct and general obligations of the County. The full faith and credit of the County is pledged to the punctual payment of principal of and interest on the Series 2002A Bonds when due, except for certain interest which will be capitalized as described herein. The County has levied direct annual taxes on all taxable real property in the County to provide for the payment of principal of and interest on the Series 2002A Bonds as described herein. These taxes are to be extended for collection without limitation as to rate or amount. Collections of the taxes are to be deposited directly by the County Collector with the Trustee, for the purpose of paying principal of and interest on the Series 2002A Bonds and the Series 2002B Bonds and Series 2002C Bonds described herein.

The Series 2002A Bonds are being issued to provide moneys to fund certain of the County's self-insurance liabilities and increase the working cash fund of the County, capitalize a portion of the interest to become due on the Series 2002A Bonds and pay costs associated with the issuance of the Series 2002A Bonds, all as described herein.

The Series 2002A Bonds will be subject to optional and mandatory redemption, including mandatory sinking fund redemption, prior to maturity, as more fully described in this Official Statement.

*The Series 2002A Bonds are offered when, as and if issued and accepted by the Underwriters and subject to delivery of an approving legal opinion by Chapman and Cutler, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Altheimer & Gray, Chicago, Illinois and William P. Tuggle, Esq., Chicago, Illinois, for the Initial Liquidity Provider by its special counsel, Winston & Strawn, New York, New York, and by its special French counsel. It is expected that the Series 2002A Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about March 27, 2002.*

**Jackson Securities Inc.**

**Podesta & Co.**

**George K. Baum & Company**

**Lehman Brothers**

March 26, 2002

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement. Any such other information or representations must not be relied upon as statements of the County or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2002A Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. The information set forth in this Official Statement is not guaranteed as to accuracy or completeness. Unless otherwise indicated, the County is the source of the tables and statistical and financial information contained in this Official Statement, except information relating to governmental bodies other than the County, which has been obtained from those governmental bodies or from other sources. The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of Series 2002A Bonds made under it shall, under any circumstances, create any implication that there has been no change in the financial condition or the operations of the County since the date of this Official Statement.

This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its position in this Official Statement. Where statutes, resolutions, reports or other documents are referred to in this Official Statement, reference should be made to those items for more complete information.

THE SERIES 2002A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND ORDINANCE OR INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF BEGUN, MAY BE ENDED OR INTERRUPTED AT ANY TIME WITHOUT NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2002A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES AND YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT NOTICE.

**THE COUNTY OF COOK, ILLINOIS**

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Thomas J. Glaser

**DEPUTY CHIEF FINANCIAL OFFICER**

Donna L. Dunnings

**COUNTY COMPTROLLER**

John F. Chambers

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## **OFFICIAL STATEMENT**

**\$123,800,000**

**THE COUNTY OF COOK, ILLINOIS**

**Taxable General Obligation Variable Rate Bonds, Series 2002A**

### **INTRODUCTION**

This Official Statement is furnished by The County of Cook, Illinois (the "County"), to provide information about its \$123,800,000 aggregate principal amount of Taxable General Obligation Variable Rate Bonds, Series 2002A (the "Series 2002A Bonds"). The Series 2002A Bonds are being issued pursuant to an authorizing ordinance adopted by the Board of Commissioners of the County (the "County Board") on February 21, 2002 (the "Bond Ordinance"), pursuant to the County's home rule powers under the 1970 Constitution of the State of Illinois and an Indenture of Trust dated as of March 1, 2002 (the "Indenture") between the County and Amalgamated Bank of Chicago, as trustee (the "Trustee").

The Series 2002A Bonds are direct and general obligations of the County. The full faith and credit of the County has been pledged to the punctual payment of the principal of and interest on the Series 2002A Bonds as the same become due. The County has levied ad valorem real property taxes in amounts sufficient to provide for the payment of the principal of and interest (computed at an assumed interest rate of 8%) on the Series 2002A Bonds as those amounts become due, other than interest to accrue to and including March 27, 2005 at an assumed rate of 5%, which is expected to be paid from proceeds of the Series 2002A Bonds. These taxes are required to be extended for collection against all taxable real property within the County, without limitation as to rate or amount. See "SECURITY FOR THE SERIES 2002A BONDS."

The Series 2002A Bonds are being issued to (i) provide moneys to fund certain of the County's self-insurance liabilities (the "Self-Insurance Purposes") and to provide moneys to increase the working cash fund of the County (the "Working Cash Fund Purposes"), (ii) capitalize interest to accrue on the Series 2002A Bonds at an assumed rate of 5% to and including March 27, 2005 and (iii) pay certain costs of issuance of the Series 2002A Bonds. See "APPLICATION OF PROCEEDS."

The Series 2002A Bonds are being issued as part of the County's plan to finance a portion of the costs of certain County capital improvement and capital equipment projects, including certain Health Fund, Public Safety Fund, Corporate Fund and Capital Equipment Fund projects (collectively described and defined more fully herein as the "Public Improvements"), to finance the Self-Insurance Purposes and to finance the Working Cash Fund Purposes. See "PLAN OF FINANCE" herein.

In furtherance of this plan, on March 13, 2002, the County issued its General Obligation Variable Rate Capital Improvement Bonds, Series 2002B, in the principal amount of \$245,400,000 (the "Series 2002B Bonds") and its General Obligation Capital Improvement Bonds, Series 2002C, in the principal amount of \$226,060,000 (the "Series 2002C Bonds"), to provide moneys for the Public Improvements.

Upon the issuance of the Series 2002A Bonds, the County, the Trustee and Dexia Crédit Local, acting through its New York Agency (the "Initial Liquidity Provider"), will enter into a Standby Bond Purchase Agreement dated as of March 1, 2002 (the "Initial Liquidity Facility") pursuant to which the Initial Liquidity Provider will agree, in certain circumstances, to purchase the Series 2002A Bonds in a Weekly Mode that are tendered or deemed tendered by the owners thereof for purchase pursuant to the Indenture and not remarketed by George K. Baum & Company, as remarketing agent (the "Remarketing Agent"). The Initial Liquidity Facility expires on March 27, 2007, unless extended or terminated in accordance with its terms. The term "Liquidity Provider" in this Official Statement refers to the Initial Liquidity Provider during the period that the Initial Liquidity Facility is in effect, and thereafter refers to each provider of an Alternate Liquidity Facility (as defined below) at the time in effect. The Liquidity

Facility (as defined below) does not secure payment of the principal of and interest on the Series 2002A Bonds. See “LIQUIDITY FACILITIES” herein.

Under certain circumstances described in the Indenture, the Initial Liquidity Facility may be replaced by an alternate liquidity facility (such as a letter of credit, a line of credit or a bond purchase agreement) supporting payment of the purchase price of tendered or deemed tendered Series 2002A Bonds (an “*Alternate Liquidity Facility*”). The delivery of an Alternate Liquidity Facility will result in the mandatory tender of the Series 2002A Bonds, unless each Rating Agency confirms in writing that such short-term rating will not be reduced, suspended or withdrawn as the result of the delivery of such Alternate Liquidity Facility. The Initial Liquidity Facility and any Alternate Liquidity Facility are referred to collectively in this Official Statement as the “Liquidity Facility.” See “THE SERIES 2002A BONDS – Purchase of Series 2002A Bonds – Mandatory Tender” and “LIQUIDITY FACILITIES – Alternate Liquidity Facilities.”

### **Additional Information**

Certain factors concerning the Series 2002A Bonds are described throughout this Official Statement, which should be read in its entirety. All references herein to laws, ordinances, resolutions, agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2002A Bonds are further qualified by reference to the information with respect thereto contained in the Bond Ordinance and the Indenture. Capitalized terms used in the body of this Official Statement without definition have the meanings assigned to such terms in APPENDIX D – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

Copies of statutes, ordinances, resolutions or other documents referred to in this Official Statement are available, upon request, from the County’s Chief Financial Officer, 118 North Clark Street, Room 500, Chicago, Illinois 60602, telephone (312) 603-7590. Additional information on the County and its operations can be found on Cook County’s web page at [www.co.cook.il.us](http://www.co.cook.il.us). All statements, information and statistics contained in this Official Statement are believed to be correct but are not guaranteed by the County, the Co-Financial Advisors, Co-Bond Counsel or the Trustee, and all expressions of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact. The information contained herein regarding DTC and the Book-Entry System was provided by DTC and has not been verified by the Co-Financial Advisors, the Trustee, Co-Bond Counsel or the County. The information contained herein is provided as of the date hereof and is subject to change.

## **PLAN OF FINANCE**

### **Self-Insurance Purposes**

The proceeds of the Series 2002A Bonds issued for the Self-Insurance Purposes will be deposited into the Insurance Reserve Fund established by the Bond Ordinance and continued by the Indenture and will be used to establish reserves for expected losses for liability or any liability for which the County is authorized to purchase insurance, including the payment of any tort judgment or settlement for compensatory damages for which the County or an employee acting within the scope of his or her employment is liable.

### **Working Cash Fund Purposes**

The proceeds of the Series 2002A Bonds issued for the Working Cash Fund Purposes will be deposited into the Working Cash Fund of the County and used to establish a fund for the purpose of enabling the County to have in its treasury at all times sufficient money to meet demands thereon for ordinary and necessary expenditures for general corporate purposes.

The sum necessary to pay the costs of issuance of the Series 2002A Bonds shall be deposited into the "Expense Fund" and shall be used by the County to pay costs of issuance in accordance with normal County disbursement procedures. Proceeds of the Series 2002A Bonds will also be used to provide for capitalized interest accruing on the Series 2002A Bonds at an assumed interest rate of 5% through March 27, 2005.

The Insurance Reserve Fund and the Working Cash Fund shall be held and maintained as separate and segregated accounts by the Trustee. The Chief Financial Officer may allocate the proceeds of the Series 2002A Bonds to one or more related funds or accounts of the County already in existence; *provided* that the County and such officer shall not be relieved of the duty to account for the proceeds as if any such fund or account were created as provided in the Bond Ordinance or the Indenture. The County reserves the right, as it becomes necessary from time to time, to change the purposes of expenditure of the Insurance Reserve Fund and the Working Cash Fund, to change priorities, to revise cost allocations between expenditures and to substitute expenditures, in order to meet current needs of the County.

### **APPLICATION OF PROCEEDS**

The proceeds from the sale of the Series 2002A Bonds are estimated to be applied as follows:

Self-Insurance Purposes	\$101,000,500
Working Cash Fund Purposes	4,000,000
Capitalized Interest	17,959,158
Costs of Issuance (including Underwriters'	840,342
Discount and fees paid at closing)	<hr/>
Principal Amount of Series 2002A Bonds	<u><u>\$123,800,000</u></u>

### **SECURITY FOR THE SERIES 2002A BONDS**

The full faith and credit of the County are irrevocably pledged to the punctual payment of the principal of and interest on the Series 2002A Bonds. The Series 2002A Bonds are direct and general obligations of the County and the County is obligated and covenants in the Bond Ordinance and in the Indenture to levy ad valorem taxes upon all the taxable property in the County for the payment of the Series 2002A Bonds and the interest thereon, without limitation as to rate or amount.

For the purpose of providing the funds required to pay the principal of and interest on the Series 2002A Bonds promptly as the same become due, there is levied by the Bond Ordinance upon all taxable property in the County a direct annual tax sufficient to pay principal of and interest (at an assumed interest rate of 8%) on the Series 2002A Bonds (the "2002A Pledged Taxes"). The County has pledged the 2002A Pledged Taxes to secure the Series 2002A Bonds. All receipts of the 2002A Pledged Taxes received by the County Collector shall be deposited daily, as far as practicable, with the Trustee. Interest or principal coming due at any time when there are insufficient funds on hand from the 2002A Pledged Taxes to pay the same shall be paid promptly when due from current funds on hand in advance of the collection of the 2002A Pledged Taxes; and when the 2002A Pledged Taxes shall have been collected, reimbursement shall be made to said funds in the amount so advanced. All other moneys appropriated or used by the County for the payment of the principal or redemption price of, and interest on the Series 2002A Bonds shall be paid to the Trustee. All 2002A Pledged Taxes, and all such moneys, shall be deposited by the Trustee into the "Series 2002A Account" of the "County of Cook, Illinois General Obligation Bonds, Series 2002, Bond Fund," created under the Bond Ordinance and continued under the Indenture (the "Bond Fund") and shall be applied to pay principal of and interest on the Series 2002A Bonds. See "APPENDIX D — CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Bond Fund."



In the Indenture, the County covenants and agrees with the purchasers and registered owners of the Series 2002A Bonds that so long as any of the Series 2002A Bonds remain outstanding, the County will take no action or fail to take any action which in any way would adversely affect the ability of the County to levy and collect the 2002A Pledged Taxes. The County and its officers have covenanted to comply with all present and future applicable laws in order to assure that the 2002A Pledged Taxes will be levied, extended and collected as provided in the Bond Ordinance and deposited into the Bond Fund. In addition, the County agrees in the Indenture that from time to time and whenever the Chief Financial Officer determines that the 2002A Pledged Taxes will be insufficient to pay principal of and interest on the Series 2002A Bonds when due, the County will take all actions necessary to provide for the levy and collection of 2002A Pledged Taxes in amounts sufficient to pay such principal and interest when due.

On or before March 1 of each year while the Series 2002A Bonds are Outstanding, the Trustee shall account for and report to the Chief Financial Officer the balance of the moneys on deposit in the Series 2002A Account of the Bond Fund. On March 1 of each of the years 2003 and 2004, the Trustee shall, at the direction of the Chief Financial Officer, transfer from the Series 2002A Account of the Bond Fund to the Project Fund so much of the amount in the Series 2002A Account of the Bond Fund as the Chief Financial Officer determines is in excess of the amount reasonably estimated by the Chief Financial Officer to be necessary to provide for payment of interest on the Series 2002A Bonds accruing through March 27, 2005. On March 27, 2005, the Trustee shall transfer all amounts remaining in the Series 2002A Account of the Bond Fund consisting of proceeds of the Series 2002A Bonds to the Project Fund, other than the amount of interest that has accrued through March 27, 2005. Pursuant to the Bond Ordinance, subsequent to such transfer by the Trustee, the County shall transfer, from funds on hand and lawfully available, the amount necessary, in the reasonable estimate of the Chief Financial Officer, to pay interest accruing on the Series 2002A Bonds to and including May 1, 2005.

On each March 1 on and after March 1, 2006, if the amount on deposit in the Series 2002A Account of the Bond Fund exceeds the amount reasonably estimated by the Chief Financial Officer to be necessary to provide for the payment of principal and interest accruing through May 2 of such year, the Chief Financial Officer shall direct the Trustee to release the amounts in the Series 2002A Account of the Bond Fund which exceed such reasonable estimate and the Trustee shall immediately pay such excess amounts to the County. The County may use the amounts so repaid to provide for the abatement of 2002A Pledged Taxes pursuant to the Bond Ordinance, to call the Series 2002A Bonds for optional redemption or for any other lawful corporate purpose.

The 2002A Pledged Taxes and other moneys, securities and funds so pledged are required by the Bond Ordinance to be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Bond Ordinance and the Indenture. The County shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the 2002A Pledged Taxes and other moneys, securities and funds pledged under the Bond Ordinance and all the rights thereto of the Series 2002A Bondholders under the Bond Ordinance and the Indenture against all claims and demands of all persons whomsoever.

In the event of a failure to pay the principal of and interest on the Series 2002A Bonds when due, or the occurrence of any other "Event of Default" under the Bond Ordinance, the Trustee is required to enforce the rights of the holders of the Series 2002A Bonds. See "APPENDIX D — CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default Under the Indenture" and "— Remedies."

The County may, in its sole discretion, elect to provide security for the payment of principal of and interest on the Series 2002A Bonds in the form of a Credit Facility delivered to the Trustee for the Series 2002A Bonds; *provided* that the County also delivers to the Trustee (a) written evidence from each Rating Agency to the effect that such Rating Agency has reviewed the Credit Facility and stating what rating the Series 2002A Bonds will bear after the provision of the Credit Facility and whether that new rating constitutes a reduction of the then current rating on the Series 2002A Bonds, (b) an opinion of counsel to such provider of the Credit Facility, acceptable to the Trustee and the County, that the Credit

Facility is valid and enforceable as against such provider in accordance with its terms subject to usual exceptions concerning bankruptcy and similar laws and enforcement of equitable remedies and (c) an opinion of Bond Counsel to the effect that the delivery of such Credit Facility is authorized or permitted by the terms of the Indenture. The County may elect to provide a Credit Facility to secure the Series 2002A Bonds in one Mode without also securing the Series 2002A Bonds in each Mode by the same or another Credit Facility. If the rating borne by the Series 2002A Bonds will be reduced after the provision of the Credit Facility, the Series 2002A Bonds will be subject to mandatory tender prior to the effective date of such Credit Facility. See “THE SERIES 2002A BONDS – Purchase of Series 2002A Bonds – Mandatory Tender.”

## **LIQUIDITY FACILITIES**

### **Initial Liquidity Facility**

The following is a summary of certain provisions of the Initial Liquidity Facility. The following summary does not purport to be a full and complete statement of the provisions of the Initial Liquidity Facility and the Initial Liquidity Facility should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Initial Liquidity Facility may be obtained upon request from the office of the County’s Chief Financial Officer. See APPENDIX F – “DESCRIPTION OF INITIAL LIQUIDITY PROVIDER” for certain information regarding the Initial Liquidity Provider.

The Initial Liquidity Provider agrees under the Initial Liquidity Facility, on the terms and conditions set forth therein, to purchase the Series 2002A Bonds in a Weekly Rate Mode (the “Covered Rate”) that are tendered pursuant to certain provisions of the Indenture. The Initial Liquidity Facility is scheduled to terminate on March 27, 2007 unless extended as described therein or unless terminated or suspended as described herein.

The Initial Liquidity Facility will provide a commitment in an amount equal to the principal amount of the Series 2002A Bonds and 35 days’ of interest at a maximum rate of 10% per annum (the “Available Commitment”) to purchase on the terms and conditions set forth in the Initial Liquidity Facility the Series 2002A Bonds bearing interest at the Covered Rate which may be tendered pursuant to optional tender or mandatory tender, other than Bank Bonds (as defined below) or Series 2002A Bonds owned by or on behalf of or held for the account or benefit of the County (such Series 2002A Bonds subject to purchase are hereinafter referred to as “Eligible Bonds”). The Initial Liquidity Facility may be terminated or suspended under certain circumstances as described under the subcaptions “Events of Default,” “Consequences of Events of Default” and “Termination of the Initial Liquidity Facility,” below.

If Eligible Bonds are not remarketed by the Remarketing Agent on the day such Series 2002A Bonds are to be tendered, the Trustee will give the Initial Liquidity Provider notice as provided in the Initial Liquidity Facility. Subsequent to receipt of such notice and upon the determination by the Initial Liquidity Provider that the conditions precedent to purchase specified in the Initial Liquidity Facility are satisfied, the Initial Liquidity Provider will transmit to the Trustee in immediately available funds an amount equal to the aggregate purchase price of such Eligible Bonds for which remarketing proceeds are not available as requested by the Trustee. Eligible Bonds purchased with such funds provided by the Initial Liquidity Provider (the “Bank Bonds”) will be registered by the Trustee for the account of the Initial Liquidity Provider.

THE INITIAL LIQUIDITY FACILITY IS NOT AVAILABLE AND DOES NOT SUPPORT THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2002A BONDS AS THE SAME BECOMES DUE AND PAYABLE. THE INITIAL LIQUIDITY FACILITY PROVIDES THE FUNDS NECESSARY TO PAY THE PURCHASE PRICE OF TENDERED ELIGIBLE BONDS FOR WHICH REMARKETING PROCEEDS ARE NOT AVAILABLE. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, PURCHASES WILL

NOT BE MADE UNDER THE INITIAL LIQUIDITY FACILITY AND, THEREFORE, FUNDS MAY NOT BE AVAILABLE TO PURCHASE TENDERED SERIES 2002A BONDS.

The Initial Liquidity Facility contains certain additional covenants and agreements of the County which are different than those summarized in APPENDIX D – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” the breach of which could constitute an Event of Default under the Initial Liquidity Facility. The covenants and agreements contained in the Initial Liquidity Facility are for the benefit only of the Initial Liquidity Provider and may be waived at any time in the sole discretion of the Initial Liquidity Provider or amended at any time in accordance with the amendment provisions of the Initial Liquidity Facility. Bondholders are not entitled to and should not rely upon any of the covenants and agreements in the Initial Liquidity Facility.

**Events of Default.** The following are “Events of Default” under the Initial Liquidity Facility:

(i) The County fails to pay when due any amounts owed by the County to the Initial Liquidity Provider pursuant to the Initial Liquidity Facility or the Letter Agreement dated as of the date of delivery of the Series 2002A Bonds (the “Letter Agreement”), between the County and the Initial Liquidity Provider, relating to certain fees payable by the County to the Initial Liquidity Provider.

(ii) Any representation or warranty made by or on behalf of the County in the Initial Liquidity Facility or in the Series 2002A Bonds, the Indenture, the Remarketing Agreement, the Letter Agreement or the Bond Ordinance or in any exhibit, instrument or agreement relating thereto, as the same may be amended from time to time (collectively, the “Related Documents”), is incorrect or untrue in any material respect when made or deemed to have been made.

(iii) The County fails to perform certain specified covenants set forth in the Initial Liquidity Facility.

(iv) The County fails to perform or observe any term, covenant or agreement (other than those described under paragraphs (i) through (iii) above, and (v) through (ix) below) contained in the Initial Liquidity Facility or the Related Documents on its part to be performed or observed which failure continues for 45 days or more.

(v) Except as otherwise set forth in paragraph (xii) below, default by the County in the payment of the principal of or interest on other Debt (as defined in the Initial Liquidity Facility) in an aggregate amount in excess of \$25,000,000, as and when the same become due, or default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto.

(vi) Except as otherwise set forth in paragraphs (xi) and (xiii) below, the County claims that any provision of the Initial Liquidity Facility, the Series 2002A Bonds, the Bond Ordinance or any of the Related Documents are no longer valid and binding on the County, or the County (or any agent or trustee on its behalf) denies that it has any further liability under any provision of, or repudiates a material obligation under, the Initial Liquidity Facility, the Series 2002A Bonds, the Bond Ordinance or any of the other Related Documents.

(vii) Entry of filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$25,000,000 against the County or against any of its property and failure of the County to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days or failure to pay or satisfy such judgment within 60 days or as otherwise required by such judgment, writ or warrant of attachment.

(viii) Any event of default under any of the Related Documents occurs.

(ix) Except as otherwise described in subsection (xii) below, (A) the occurrence of any event under any ordinance, indenture, agreement, resolution or instrument giving rise to any Debt, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the County, including the right to declare the acceleration of any maturity thereof or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof, or which results in the forfeiture by the County of any of its rights under any such ordinance, indenture, agreement, resolution, or instrument; or (B) any such Debt is declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof.

(x) Any of the following events occurs: (A) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of the County; (B) the filing of a petition or action by or against the County of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the County or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the County or any substantial part of its property; (C) the making of an assignment for the benefit of creditors by the County; (D) the failure of the County to generally pay its debts as they become due; (E) the declaration of a moratorium with respect to the payment of the debts of the County; or (F) the initiation of any actions to authorize any of the foregoing by or on behalf of the County.

(xi) Any material provision of the Initial Liquidity Facility, the Series 2002A Bonds, the Bond Ordinance or the Indenture is declared by a final and nonappealable order of a court of competent jurisdiction to be not binding on the County.

(xii) Any failure, wholly or partially, by the County to make timely any payment required to be made (A) on the Series 2002A Bonds (including Bank Bonds) or (B) on any other general obligation debt of the County ((A) and (B) being referred to herein, collectively, as "Material Debt").

(xiii) Any governmental entity with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Series 2002A Bonds, the Bond Ordinance or the Indenture finds or rules that any material provision of the Initial Liquidity Facility, the Series 2002A Bonds, the Bond Ordinance or the Indenture is not valid or not binding on the County.

(xiv) The rating assigned to any Material Debt by Moody's, S&P and Fitch is (i) withdrawn, (ii) suspended or (iii) lowered below "Baa3," "BBB-" and "BBB-," respectively.

**Consequences of Events of Default.** Upon the occurrence of an Event of Default under the Initial Liquidity Facility, the Initial Liquidity Provider may take one or more of the following actions:

(i) In the case of an Event of Default as described in paragraph (xiii) or clause (i) or (ii) of paragraph (xiv) above (each, a "Suspension Event"), the obligation of the Initial Liquidity Provider to purchase Eligible Bonds under the Initial Liquidity Facility will be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon any Suspension Event, the Initial Liquidity Provider will notify the County, the Trustee and the Remarketing Agent of such suspension in writing by facsimile promptly confirmed by regular mail; provided that the Initial Liquidity Provider will incur no liability of any kind by reason of its failure to give such notice and such failure will in no way affect the suspension of the Available Commitment and of its obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. Upon the occurrence of a Suspension Event, the following provisions will apply:

(A) in the case of a Suspension Event described in paragraph (xiii) above, if a court with jurisdiction to rule on the validity of any of such agreements thereafter enters a final, nonappealable judgment that any of the material provisions of such agreement that is the subject

of such Suspension Event is not valid and binding on the County, then the Available Commitment and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of such agreement finds or rules by entry of a final and nonappealable judgment that the material provision of such agreement is valid and binding on the County, then the Available Commitment and the obligations of the Initial Liquidity Provider under the Initial Liquidity Facility will thereupon be reinstated (unless the Purchase Period (as defined below) has expired or the Available Commitment otherwise has been terminated or suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if three years after the effective date of suspension of the obligations of the Initial Liquidity Provider pursuant to this paragraph, such litigation is still pending and a judgment regarding the validity of the material provision of such agreement as is the subject of such Suspension Event has not been obtained, then the Available Commitment and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will at such time terminate without notice or demand and thereafter, the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds;

(B) in the case of a Suspension Event described in clause (i) or (ii) of paragraph (xiv) above, if the ratings described in paragraph (xiv) are not reinstated within 30 days following such a withdrawal or suspension, then the Available Commitment and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. If such ratings are reinstated within 30 days of such withdrawal or suspension and the Available Commitment has not otherwise expired or been suspended or terminated, then the Available Commitment will be reinstated; and

(C) in the case of both clauses (A) and (B) above, the Trustee will immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds.

(ii) In the case of any Event of Default described in paragraph (x), (xi), (xii) or clause (iii) of paragraph (xiv) under “—Events of Default” above, the Available Commitment and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. Upon such Event of Default, the Initial Liquidity Provider will promptly give written notice of the same to the Trustee, the County and the Remarketing Agent; provided that the Initial Liquidity Provider will incur no liability of any kind by reason of its failure to give such notice, and such failure will in no way affect the termination of the Available Commitment and of the obligation of the Initial Liquidity Provider to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. The Trustee will immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the Initial Liquidity Provider to purchase the Eligible Bonds.

(iii) In the case of any Event of Default as described in paragraphs (i) through (ix) under “—Events of Default” above, the Initial Liquidity Provider may give written notice of such Event of Default to the County, the Trustee and Remarketing Agent (“Notice of Termination”) stating that the Initial Liquidity Facility will terminate 30 days after such notice is received by the Trustee and directing that the Series 2002A Bonds be called for mandatory tender pursuant to the Indenture. See “THE SERIES 2002A BONDS – Purchase of Series 2002A Bonds – Mandatory Tender.” The obligation of the Initial Liquidity Provider to purchase Eligible Bonds will terminate 30 days after such notice is received by the Trustee and, on such date, the Available Commitment will terminate and the Initial Liquidity Provider will be under no obligation under the Initial Liquidity Facility to purchase Eligible Bonds.

(iv) Upon the occurrence of any Event of Default described under “—Events of Default” above, all amounts owed to the Initial Liquidity Provider and under any Bank Bonds will bear interest at

the Default Rate, as defined in the Initial Liquidity Facility, and the Initial Liquidity Provider will have all remedies provided at law or equity, including, without limitation, to accelerate all amounts due under the Initial Liquidity Facility and under any Bank Bonds and specific performance. The Initial Liquidity Provider will promptly provide written notice to the Trustee and the County of any acceleration of the amounts due under the Initial Liquidity Facility.

**Termination of the Initial Liquidity Facility.** The obligation of the Initial Liquidity Provider to purchase Eligible Bonds will extend from the date of delivery of the Initial Liquidity Facility to the earliest of the close of business on the following dates (the “Purchase Period”): (i) March 27, 2007 as such date may be extended from time to time (the “Expiration Date”), (ii) the date on which no Eligible Bonds are outstanding under the Indenture, (iii) the effective date of an Alternate Liquidity Facility pursuant to the Indenture, and (iv) the date on which the Available Principal Commitment has been reduced to zero or terminated in its entirety pursuant to the Initial Liquidity Facility or due to the occurrence of an Event of Default as described above.

### **Alternate Liquidity Facilities**

While the Series 2002A Bonds are in a Short-Term Mode, the County is required to maintain a Liquidity Facility for the related Series 2002A Bonds in the Required Amount of the Liquidity Facility, as more particularly described under the caption “THE SERIES 2002A BONDS – Conversion Options – Liquidity Facility Required.” The County covenants in the Indenture not to convert the Series 2002A Bonds from one Short-Term Mode to another Short-Term Mode, or from one period to another period within a Short-Term Mode, unless the related Series 2002A Bonds will be supported by a Liquidity Facility either through retention of an existing Liquidity Facility or through the delivery of an Alternate Liquidity Facility in accordance with the Indenture. The County may also be required to provide an Alternate Liquidity Facility under the circumstances described under the caption “THE SERIES 2002A BONDS – Interest on the Series 2002A Bonds – Adjustable Rate Provisions.”

The County may, subject to the provisions of the Indenture, at any time arrange for the deposit with the Trustee of an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Alternate Liquidity Facility may be a standby bond purchase agreement or a bank bond purchase agreement, letter of credit, line of credit, surety bond, revolving credit facility, bond insurance policy or other agreement or instrument under which a person or entity (other than the County) undertakes to pay or provide funds to pay the purchase price of the Series 2002A Bonds in the Required Amount of the Liquidity Facility for such Bonds.

The Liquidity Facility then in effect (the Initial Liquidity Facility or an Alternate Liquidity Facility) for the Series 2002A Bonds may be replaced by an Alternate Liquidity Facility only if such Alternate Liquidity Facility (a) provides for no additional Automatic Termination Events (as defined in the Initial Liquidity Facility), (b) provides that the obligation to purchase related Series 2002A Bonds may not be terminated earlier than 30 days after receipt by the Trustee of written notice from the provider of such Alternate Liquidity Facility to the effect that an event of default (other than an Automatic Termination Event) under the Alternate Liquidity Facility has occurred and the obligation to purchase the Series 2002A Bonds will be terminated, (c) is accompanied by written evidence from each Rating Agency to the effect that the appropriate Rating Agency has reviewed the Alternate Liquidity Facility and stating what rating the Series 2002A Bonds will bear after the substitution of the Alternate Liquidity Facility and whether that new rating constitutes a reduction of the then current rating on the related Series 2002A Bonds, (d) is accompanied by an opinion of counsel to such Liquidity Provider, acceptable to the Trustee and the County, that the Alternate Liquidity Facility is valid and enforceable as against such issuer in accordance with its terms subject to usual exceptions concerning bankruptcy and similar laws and enforcement of equitable remedies, and (e) is accompanied by an opinion of Bond Counsel to the effect that the delivery of such Alternate Liquidity Facility is authorized or permitted by the terms of the Indenture. If the rating borne by the related Series 2002A Bonds will be reduced after the substitution of the Alternate Liquidity Facility, the Series 2002A Bonds will be subject to mandatory tender prior to the

effective date of such substitution. See “THE SERIES 2002A BONDS – Purchase of Series 2002A Bonds – Mandatory Tender.”

The Trustee shall notify by telephone, facsimile or electronic mail promptly confirmed by telephone the owners of the Series 2002A Bonds of the proposed delivery of any Alternate Liquidity Facility not less than 10 days prior to the delivery of the Alternate Liquidity Facility, whether or not a mandatory tender results from such delivery.

Upon the delivery of an Alternate Liquidity Facility, the Trustee promptly shall notify each owner of a Bond in writing that an Alternate Liquidity Facility will secure the related Series 2002A Bonds and will identify the provider of such Alternate Liquidity Facility.

## **THE SERIES 2002A BONDS**

### **General**

The Series 2002A Bonds will be issuable as fully registered Bonds without coupons and shall be dated as of the date of their initial issuance and delivery. The Series 2002A Bonds will mature on November 1, 2023, subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement under “THE SERIES 2002A BONDS – Redemption.” The Series 2002A Bonds (i) in the Weekly Rate Mode or in an Adjustable Rate Period extending for less than one year will be in denominations of \$100,000 or integral multiples of \$100,000; (ii) in a CP Rate Mode will be in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof and (iii) following the conversion thereof to an Adjustable Rate Period extending to Stated Maturity will be in denominations of \$5,000 or integral multiples of \$5,000. All Bonds shall be in the same Mode (and if in the Adjustable Rate Mode, the same Adjustable Rate Period) at the same time (except as described under “THE SERIES 2002A BONDS-Interest on the Series 2002A Bonds-CP Rate Provisions”).

The Series 2002A Bonds will be dated and interest on the Series 2002A Bonds will accrue from the Closing Date, and after the Closing Date interest on the Series 2002A Bonds will accrue from the Interest Payment Date next preceding the date of authentication, unless (i) authenticated prior to the first Interest Payment Date, in which event interest on such Series 2002A Bonds will accrue from the Closing Date, (ii) authenticated on an Interest Payment Date, in which event interest on such Series 2002A Bonds will accrue from the date of authentication, or (iii) authenticated after a Record Date and before the following Interest Payment Date, in which event interest on such Series 2002A Bonds will accrue from the following Interest Payment Date. If, as shown by the records of the Trustee, interest on the Series 2002A Bonds is in default, interest on Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange will accrue from the date to which interest has been paid in full on the Series 2002A Bonds, or, if no interest has been paid on the Series 2002A Bonds, from the Closing Date. The amount of interest payable on the Series 2002A Bonds on each Interest Payment Date will be the amount of interest accrued on the Series 2002A Bonds from the preceding Interest Payment Date (or other date as described above) to, but not including, the Interest Payment Date on which interest is being paid.

### **Book-Entry Only System**

The Depository Trust Company, New York, New York (“DTC”), will act as Securities Depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2002A Bond will be issued in the aggregate principal amount of the Series 2002A Bonds, and will be deposited with DTC. The Series 2002A Bonds will initially be available for purchase only in book-entry only form in authorized denominations.

In reading this Official Statement it should be understood that, while the Series 2002A Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered

owners should be read to include the Beneficial Owner, but (a) all rights of ownership must be exercised through DTC and the Book-Entry Only System and (b) notices that are to be given to registered owners by the County or the Trustee will be given only to DTC. Information about the Book-Entry Only System and DTC is set forth in APPENDIX E.

### **Summary of Interest Rate Modes**

The Series 2002A Bonds may, from time to time, bear interest in the Weekly Rate Mode, the CP Rate Mode or the Adjustable Rate Mode. In no event shall the interest rate on the Series 2002A Bonds (other than Bank Bonds) exceed the lesser of (i) 10% per annum or (ii) if a Liquidity Facility is then in effect, the maximum interest rate stated in such Liquidity Facility for providing payment of interest on Series 2002A Bonds. Upon the issuance of the Series 2002A Bonds and the concurrent delivery of the Initial Liquidity Facility, the Maximum Rate will be 10% for the Series 2002A Bonds secured by the Initial Liquidity Facility.

The chart contained on the following pages briefly highlights certain of the provisions applicable to the Series 2002A Bonds while in each of the three permissible Modes.



<b>MODE</b>	<b>WEEKLY RATE MODE</b>	<b>CP RATE MODE</b>	<b>ADJUSTABLE RATE MODE</b>
Interest Rate Determination; Period for which Rate is Effective	Par rate (not to exceed the Maximum Rate) determined by Remarketing Agent on Wednesday of each week (subject to exceptions if Wednesday is not a Business Day), effective, generally, from Wednesday through and including the following Tuesday.	Par rate on each Series 2002A Bond (not to exceed the Maximum Rate) determined by Remarketing Agent on the first day of each CP Rate Period to be effective for the duration of such CP Rate Period. The length of CP Rate Period is determined on such day by the Remarketing Agent and may not be longer than 270 days. Different Series 2002A Bonds may be in different CP Rate Periods bearing interest at different CP Rates at the same time.	Par rate (not to exceed the Maximum Rate) determined by Remarketing Agent on or at any time prior to the first day of Adjustable Rate Period to be effective for duration of Adjustable Rate Period. The length of Adjustable Rate Period will be set by the County in the conversion notice and must be at least one month long and end on the day preceding the first Business Day of a calendar month (which may be the final maturity of the Series 2002A Bonds).
Interest Rate Computation	365 or 366 day year for actual days elapsed.	365 or 366 day year for actual days elapsed.	360 day year consisting of twelve 30-day months.
Interest Payment Date	First Business Day of each month, any mandatory tender date and any date on which the principal of such Series 2002A Bonds becomes due.	First Business Day following last day of any CP Rate Period applicable to such Series 2002A Bond, any mandatory tender date and any date upon which the outstanding principal amount of such Series 2002A Bond becomes due.	Generally, for an Adjustable Rate Period of at least six calendar months, the first day of the sixth calendar month following the Conversion Date, the first day of each successive sixth calendar month and the first business day immediately following the end of such Adjustable Rate Period or the Stated Maturity (if such Adjustable Rate Period extends to Stated Maturity). For an Adjustable Rate Period of less than six calendar months, the first business day of the calendar month following the end of such Adjustable Rate Period or Stated Maturity (if such Adjustable Rate Period extends to Stated Maturity).
Record Date	Close of business on Business Day before Interest Payment Date.	Close of business on Business Day before Interest Payment Date applicable to each Series 2002A Bond.	For an Adjustable Rate Period of six or more calendar months, the close of business on the fifteenth day of the calendar month next preceding an Interest Payment Date. For an Adjustable Rate Period of less than six months, the close of business on the Business Day immediately preceding the Interest Payment Date.

MODE	WEEKLY RATE MODE	CP RATE MODE	ADJUSTABLE RATE MODE
Optional Tender	On any Business Day (in whole or in part in an Authorized Denomination) at a price of par plus accrued interest, upon delivery of notice of optional tender by Beneficial Owner to Remarketing Agent at its Principal Office at least seven days before purchase date (or if Bonds not in Book-Entry System, upon delivery of notice of optional tender and Series 2002 Bond by Bondholder to Tender Agent at its Principal Office at least seven days before purchase date; <i>provided</i> that certain open-ended diversified management investment companies may deliver Bonds on purchase date).	Not applicable.	Not applicable.
Mandatory Tender	On (a) each Conversion Date, (b) second Business Day prior to the Expiration Date of any Credit Facility, (c) second Business Day preceding effective date of any Credit Facility or Alternate Liquidity Facility if its delivery and effectiveness will result in reduction, suspension or withdrawal of current rating on the Series 2002A Bonds by any Rating Agency and (d) mandatory tender date selected by the Trustee upon notice of an event of default (other than resulting in an Automatic Termination Event) under the Liquidity Facility and termination by the Liquidity Provider of its obligations under the Liquidity Facility. Mandatory Tender price of par.	Same as during Weekly Rate Mode and, additionally, each CP Rate Reset Date, with respect to any Series 2002A Bond (provided that only those Series 2002A Bonds whose interest rates are being reset on such date shall be subject to mandatory tender). Mandatory Tender price of par.	Same as during Weekly Rate Mode and, additionally, on each Adjustable Rate Reset Date. Mandatory Tender price of par.

<b>MODE</b>	<b>WEEKLY RATE MODE</b>	<b>CP RATE MODE</b>	<b>ADJUSTABLE RATE MODE</b>
Optional Redemption	In whole or in part on any Business Day, at price of par plus accrued interest.	In whole or in part on any Interest Payment Date.	Series 2002A Bonds are subject to Optional Redemption as described below under the subcaption "Redemption-Optional Redemption-Adjustable Rate Mode"
Mandatory Redemption	Series 2002A Bonds (other than Bank Bonds) are subject to mandatory sinking fund redemption as described below under the subcaption "Redemption-Mandatory Sinking Fund Redemption."	None.	Series 2002A Bonds (other than Bank Bonds) are subject to mandatory sinking fund redemption as described below under the subcaption "Redemption-Mandatory Sinking Fund Redemption."
Conversion to another Mode, CP Rate Period or Adjustable Rate Period	Bonds may be converted to another Mode on any Business Day, after County gives at least 25 days notice of conversion and other conditions to conversion are met. Absent a conversion, Bonds remain in Weekly Rate Mode.	County may convert to another Mode by giving at least 25 days' notice and other conditions to conversion are met, with conversion to be effective on Business Day following expiration of all current CP Rate Periods. If County does not give notice to convert to another Mode, Remarketing Agent will determine, with respect to each Series 2002A Bond, a new CP Rate Period and new CP Rate applicable to each such CP Rate Period to be effective on Business Day following expiration of current CP Rate Period.	County may convert to another Mode or to an Adjustable Rate Period of same or different duration by giving at least 25 days' notice and other conditions to conversion are met, with conversion to be effective on the Business Day following the last day of the current Adjustable Rate Period. If County does not give notice to convert, upon expiration of current Adjustable Rate Period, Bonds will automatically convert or the Remarketing Agent fails to determine the Adjustable Rate for such Adjustable Rate Period to Weekly Rate Mode.

## **Interest on the Series 2002A Bonds**

The Series 2000A Bonds will be issued in the Weekly Rate Mode initially.

**Weekly Rate Provisions .** While in the Weekly Rate Mode, the Series 2002A Bonds will bear interest (computed on the basis of a 365-day or 366-day year, as applicable, for the actual number of days in the period) at a Weekly Rate to the earlier of the following Conversion Date or Maturity. The Weekly Rate for each Weekly Interest Period will be the lowest rate of interest which will, in the sole judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, permit the Series 2002A Bonds to be remarketed at par plus accrued interest, on the first day of such Weekly Interest Period. Each determination of a Weekly Rate by the Remarketing Agent will be conclusive and binding. Notwithstanding the foregoing, if at any time the Remarketing Agent fails to determine a Weekly Rate as described above, then, until a Weekly Rate has been set as described above, the Weekly Rate will be 115% of the interest rate applicable to 90-day United States Treasury bills determined on the basis of the average per annum discount rate at which such 90-day United States Treasury bills shall have been sold at the most recent Treasury auction within the preceding 30 days. In no event shall interest on the Series 2002A Bonds bearing interest at a Weekly Rate exceed the Maximum Rate.

**“Weekly Interest Period”** means, while the Series 2002A Bonds are in the Weekly Rate Mode, each period from and including Wednesday of each week (and, if the first day of any Weekly Rate Period is not a Wednesday, the Weekly Rate Conversion Date on which such Weekly Rate Period commences) through and including the following Tuesday, whether or not such days are Business Days.

On Wednesday (unless Wednesday is not a Business Day, then on the next preceding Tuesday; unless Tuesday and Wednesday are not Business Days, then on the Thursday, whether or not a Business Day) of each calendar week during a Weekly Rate Period, with respect to each Weekly Interest Period, the Remarketing Agent will determine and furnish to the Trustee the Weekly Rate for the Weekly Interest Period beginning on Wednesday. On the Business Day preceding each Weekly Rate Interest Payment Date, the Trustee will furnish to the County, the Liquidity Provider and, if Bonds are not in a Book-Entry System, to the Tender Agent, the Weekly Rates applicable to the Series 2002A Bonds from the time of the prior notice of such rates. Should any Series 2002A Bondholder or Beneficial Owner request such in writing, the Remarketing Agent shall furnish written notice of the Weekly Rate for the Series 2002A Bonds to such requesting Bondholder or Beneficial Owner.

Interest on Bonds in the Weekly Rate Mode will be paid on the first Business Day of each month during which the Series 2002A Bonds are in the Weekly Rate Mode, any mandatory tender date and any date upon which the outstanding principal amount of the Series 2002A Bonds becomes due, whether at maturity or by mandatory sinking fund redemption.

While the Series 2002A Bonds are in the Weekly Rate Mode, if at any time the Remarketing Agent determines that, in its reasonable judgment, the scheduled rate determination day or rate change day has become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Series 2002A Bonds, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent, after consultation with the County, may designate a new scheduled rate determination date and/or rate change day, to remain in effect until another redetermination of the scheduled rate determination day or rate change day in accordance with this paragraph. The Remarketing Agent shall give written notice to the Trustee, and the Trustee shall give written notice to the Tender Agent, the Liquidity Provider and the County, of any change in scheduled rate determination day and/or rate change day, and such change shall become effective on the first scheduled rate determination day or rate change day, as the case may be, so designated occurring not less than 14 days following the giving of such notices. Promptly upon receipt of such notice, the Trustee shall notify, or cause the Remarketing Agent to notify, each affected Bondholder or Beneficial Owner of such change in writing.

**CP Rate Provisions.** While the Series 2002A Bonds are in the CP Rate Mode, each such Series 2002A Bond shall bear interest at a CP Rate (computed on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed) from each CP Rate Conversion Date or CP Rate Reset Date, as appropriate, to the earlier of the following Conversion Date for all Bonds or the following CP Rate Reset Date applicable to such Series 2002A Bonds, or the Maturity of such Series 2002A Bonds. Different CP Rate Periods may apply to different Bonds at any time and from time to time while the Series 2002A Bonds are in a CP Rate Mode. In the case of each CP Rate Period, on the first day of that CP Rate Period, the Remarketing Agent will determine (i) the duration of such CP Rate Period and (ii) the CP Rate which shall apply during such CP Rate Period. The duration of the CP Rate Period so determined will be that which, together with all such other CP Rate Periods for all Bonds then outstanding, in the sole judgment of the Remarketing Agent, will provide the lowest overall interest cost with respect to the Series 2002A Bonds, with due regard to prevailing financial market conditions, foreseeable changes in such conditions, the anticipated duration of the period the Series 2002A Bonds may remain in the CP Rate Mode, and such other factors which the Remarketing Agent, in its sole judgment, shall deem relevant and economically advantageous to consider. No CP Rate Period will extend beyond (i) the number of days providing Adequate Interest Coverage (as defined below under the subheading “Conversion Options–Liquidity Facility Required”) pursuant to the Liquidity Facility or (ii) the Expiration Date of the Liquidity Facility. No CP Rate Period will extend beyond November 1 of any year unless Series 2002A Bonds bearing interest in another Mode or CP Rate Period in an aggregate principal amount equal to the mandatory redemption requirement (as described below under the subheading “Redemption – Mandatory Sinking Fund Redemption”) on November 1 of such year shall remain Outstanding and callable for redemption on such November 1. Upon determination of the duration of a CP Rate Period with respect to any Series 2002A Bonds, the Remarketing Agent shall determine the CP Rate which shall be in effect with respect to such Series 2002A Bonds during such CP Rate Period, which will be the lowest rate of interest which, in the sole judgment of the Remarketing Agent, having due regard to prevailing financial market conditions, will permit such Series 2002A Bonds to be sold at par on the first day of such CP Rate Period. Notwithstanding the foregoing, the CP Rate so determined shall not be more than the Maximum Rate.

**“CP Rate Period”** means with respect to each Series 2002A Bond, while the Series 2002A Bonds are in the CP Rate Mode, a period (a) which begins on a CP Rate Conversion Date or a CP Rate Reset Date, as appropriate, and (b) has a duration which has been set by the Remarketing Agent as described in the preceding paragraph, from 1 to 270 days’ length, and (c) which ends on a day which immediately precedes a Business Day, falls on or prior to the Stated Maturity of the Series 2002A Bonds and complies with each of the limitations described in the preceding paragraph.

Unless and until the County elects to effect a conversion of Series 2002A Bonds from the CP Rate Mode to another Mode, the Remarketing Agent shall continually redetermine the duration of, and the CP Rate to be effective during, each new CP Rate Period with respect to each Series 2002A Bond, which will commence, without further action on the part of the County, on each CP Rate Reset Date with respect to such Series 2002A Bond. If on any CP Rate Reset Date, the Remarketing Agent fails to determine either the duration of, or the CP Rate to be effective during, the CP Rate Period which commences on such date with respect to any Series 2002A Bonds, such Series 2002A Bonds without further action on the part of any person, will automatically convert to the Weekly Rate Mode upon such date, and the Weekly Rate which will be effective on such date will be determined as described above under the subheading “Weekly Rate Provisions.” Such Series 2002A Bonds may not after such date be converted from the Weekly Rate Mode until such time as all Bonds then outstanding are in the Weekly Rate Mode. Upon such automatic conversion of a portion of the Series 2002A Bonds to the Weekly Rate Mode, any Series 2002A Bond then remaining in the CP Rate Mode shall be automatically converted to the Weekly Rate Mode upon the expiration of the CP Rate Period applicable to such Series 2002A Bonds without further action on the part of any person (and notwithstanding any attempted act to the contrary on the part of any person). Upon such event the Trustee will promptly notify the affected Bondholders, the County, the Remarketing Agent, the Tender Agent, if any, and the Liquidity Provider of such automatic

conversion. Each determination by the Remarketing Agent of the duration of any CP Rate Period and the CP Rate applicable to each Series 2002A Bond during such CP Rate Period will be conclusive and binding.

On the first day of each CP Rate Period, the Remarketing Agent will furnish to the Trustee, the Liquidity Provider, the County and, if the Series 2002A Bonds are not in a Book-Entry System, the Tender Agent, notice of the duration of such CP Rate Period and the CP Rate to be effective during such CP Rate Period. Should any Series 2002A Bondholder or Beneficial Owner request notice of such items in writing, the Remarketing Agent will provide written notice to such requesting Bondholder or Beneficial Owner.

The Securities Depository has established separate procedures applicable to Bonds held in the CP Rate Mode. The County and the Trustee agree to comply with such procedures whenever Bonds in the CP Rate Mode are held in the Book-Entry System.

At any time that the County has given notice of conversion of Series 2002A Bonds from the CP Rate Mode to another Mode as described below under the heading "Conversion Options," the Remarketing Agent will thereafter determine CP Rate Periods of such duration so that, as soon as possible, all applicable CP Rate Periods shall end on the same date, which date will be the day preceding the Conversion Date.

Interest on each Series 2002A Bond in the CP Rate Mode will be paid on the Business Day which immediately succeeds the last day of any CP Rate Period for such Series 2002A Bond, any mandatory tender date and any date upon which the outstanding principal amount of Series 2002A Bonds becomes due.

**Adjustable Rate Provisions.** Each Series 2002A Bond in an Adjustable Rate Mode will bear interest at an Adjustable Rate (computed on the basis of a 360-day year consisting of twelve 30-day months) from each Adjustable Rate Conversion Date or Adjustable Rate Reset Date, as appropriate, to the earlier of the following Conversion Date, the following Adjustable Rate Reset Date, the following date on which such Series 2002A Bond is subject to mandatory tender for purchase or Maturity. Upon a conversion of Series 2002A Bonds to the Adjustable Rate Mode, the duration of the initial Adjustable Rate Period will be that period specified in the County's notice delivered for the purpose of effecting such conversion. An Adjustable Rate Period shall be at least one month in duration and shall end on the day immediately preceding the first Business Day of a calendar month or, if such Adjustable Rate Period extends to the Stated Maturity of such Series 2002A Bonds, such Stated Maturity. Those Bonds will then remain in the Adjustable Rate Mode for as long as the County continues to deliver timely conversion notices specifying the duration of the next subsequent Adjustable Rate Period which is to commence on the expiration of any current Adjustable Rate Period. The Remarketing Agent, on or prior to the commencement of each Adjustable Rate Period, will determine the Adjustable Rate to be borne by the Series 2002A Bonds during such Adjustable Rate Period, which rate will be the lowest rate which, in its sole judgment having due regard for prevailing financial market conditions, will permit the Series 2002A Bonds to be sold at par, on the first day of such Adjustable Rate Period. Notwithstanding the foregoing, the Adjustable Rate shall not be more than the Maximum Rate.

If the Series 2002A Bonds have been converted to any Long-Term Mode having an Adjustable Rate Period shorter than to Stated Maturity, the following additional provisions of such Mode shall become applicable: (A) Six months prior to the end of the Adjustable Rate Period and on the first Business Day of each consecutive month thereafter until the end of such period, the Trustee shall deliver written notice to the County, the Remarketing Agent, the Liquidity Provider, if any, and the Rating Agencies of the end of the Adjustable Rate Period and of the further obligations of the County under this paragraph; and (B) three months prior to the end of such Adjustable Rate Period, the County shall have provided to the Trustee any one or more of the following: (1) a fully executed and delivered Alternate

Liquidity Facility which shall be effective as of the end of the period; (2) evidence that provision for payment of such Series 2002A Bonds at the end of the period shall have otherwise been provided for, which shall be evidence satisfactory to the Trustee that funds of the County will be provided at the end of the period in an amount sufficient to redeem or purchase such Series 2002A Bonds; or (3) written confirmation from the Rating Agencies that failure to provide the Alternate Liquidity Facility described in clause (1) or the funds as described in clause (2) will not result in the withdrawal, suspension or lowering of any rating on the Series 2002A Bonds.

If, during any period, the Series 2002A Bonds are in the Adjustable Rate Mode, either (i) the County does not deliver a timely conversion notice specifying the duration of the next subsequent Adjustable Rate Period, or (ii) on or prior to any Adjustable Rate Reset Date the Remarketing Agent fails to determine the Adjustable Rate to be borne by the Series 2002A Bonds during such immediately succeeding Adjustable Rate Period, then, except as described below, such Series 2002A Bonds will automatically convert to the Weekly Rate Mode on the date which otherwise would have been the Adjustable Rate Reset Date and such Series 2002A Bonds shall thereupon bear interest at the Weekly Rate determined as described above under the subheading “Weekly Rate Provisions.” Upon such event, the Trustee promptly shall notify the Series 2002A Bondholders, the County, the Remarketing Agent, the Tender Agent, if any, and the Liquidity Provider of such automatic conversion. If, prior to such date, the Series 2002A Bonds were in a Long-Term Mode, such Series 2002A Bonds shall not be automatically converted to the Weekly Rate Mode, as described in the preceding sentence, unless there is delivered to the Trustee on or prior to such date, a Liquidity Facility for all of such Series 2002A Bonds. Absent delivery of a Liquidity Facility, the Series 2002A Bonds will convert automatically on such date to the shortest possible Adjustable Rate Period of a duration of at least one year and one day. In such event, the Series 2002A Bonds will bear interest during such period at a rate to be determined by the Remarketing Agent as described in this Official Statement, or if no rate is so determined, at a rate equal to 120% of the average interest rate for one year U.S. Treasury Notes, as published in the *Federal Reserve Bulletin* (published by the Board of Governors of the Federal Reserve System) most recently published prior to the Conversion Date, as determined by the Trustee. Each determination of an Adjustable Rate by the Remarketing Agent will be conclusive and binding.

**“Adjustable Rate Interest Payment Date”** means (i) with respect to an Adjustable Rate Period of at least six calendar months’ duration, the first day of the sixth calendar month following the Adjustable Rate Conversion Date and the first day of each successive sixth calendar month, if any, of such Adjustable Rate Period; *provided*, that the final Adjustable Rate Interest Payment Date with respect to any such Adjustable Rate Period will be the first Business Day immediately following the expiration of such period, or the Stated Maturity (if such Adjustable Rate Period extends to the Stated Maturity), and (ii) with respect to an Adjustable Rate Period which extends over a period covering less than six calendar months, the first Business Day immediately following the Adjustable Rate Period or the Stated Maturity (if such Adjustable Rate Period extends to the Stated Maturity).

**“Adjustable Rate Period”** means any period of not less than one month in duration, commencing on an Adjustable Rate Conversion Date or an Adjustable Rate Reset Date, as appropriate, and ending on the earlier to occur of the Maturity of Series 2002A Bonds or the day preceding the subsequent Conversion Date or Adjustable Rate Reset Date, as appropriate.

### **Conversion Options**

The County may convert the interest rate Mode of the Series 2002A Bonds from one Mode to another, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of the same or a different duration, if the County notifies the Trustee, the Tender Agent, the Liquidity Provider, the provider of any Credit Facility and the Remarketing Agent of its election to effect such a conversion and the other conditions to conversion are satisfied. Such notice must specify the date on which the conversion will occur (which date must be not earlier than 25 days after such notice is given) and if the

conversion is to an Adjustable Rate Period, must specify the Adjustable Rate Period. The Conversion Date will be the date specified in the County's notice; provided that no conversion from an Adjustable Rate Mode will be effective prior to the Business Day following the last day of the Adjustable Rate Period which is then in effect and no optional conversion from the CP Rate Mode will be effective prior to the Business Day following the day which is the last day of the CP Rate Periods for all of the Series 2002A Bonds. The Series 2002A Bonds will be subject to mandatory tender and purchase on the Conversion Date as provided in the Indenture. If any condition precedent to conversion is not satisfied (including, but not limited to, the establishment by the Remarketing Agent of the initial interest rate to be in effect after the Conversion Date or provision of the Liquidity Facility or Credit Facility described above), the Series 2002A Bonds will still be subject to mandatory tender on the Conversion Date and, subject to the same qualifications and exceptions as are set forth in the second paragraph under the subheading "Adjustable Rate Provisions" above, on such date, the Series 2002A Bonds will automatically convert to the Weekly Rate Mode, and the Weekly Rate will be determined as described above under the subheading "Weekly Rate Provisions."

Upon any conversion from one Mode to another, if applicable, a Liquidity Facility shall be provided in the Required Amount of the Liquidity Facility.

**"Long-Term Mode"** means each Adjustable Rate Period of greater than one year's duration.

**"Conversion Date"** means an Adjustable Rate Conversion Date, a Weekly Rate Conversion Date or a CP Rate Conversion Date, as appropriate.

**Bondholders' Conversion Notice.** In general and except as noted, at least 22 days prior to each Conversion Date, the Trustee will give to each owner of a Series 2002A Bond notice by certified mail; if the Series 2002A Bonds are in the CP Rate Mode having a CP Rate Period of less than 30 days, such notice shall be given with the current confirmation of purchase. The notice will: (a) state the Conversion Date; (b) state that, on the Conversion Date, the Series 2002A Bonds are subject to mandatory tender and purchase and describe the provisions of the Indenture pursuant to which the Series 2002A Bonds are subject to mandatory tender; (c) state that, subject to clause (e) below, all such Owners who have not tendered their Bonds for purchase on the mandatory tender date will be deemed to have tendered their Series 2002A Bonds for purchase on such date; (d) state that, subject to clause (e) below, any such Series 2002A Bonds not delivered to the Tender Agent on or prior to the mandatory tender date, for which there has been irrevocably deposited in trust with the Trustee or the Tender Agent on or prior to the mandatory tender date available moneys sufficient to pay the purchase price of such Undelivered Bonds on the mandatory tender date, will be deemed to have been so purchased at the purchase price, and such Series 2002A Bonds will no longer be considered to be outstanding for purposes of the Bond Ordinance or the Indenture and will no longer be entitled to the benefits of the Bond Ordinance or the Indenture, except for the payment of the purchase price of such Series 2002A Bonds (and no interest will accrue on such Series 2002A Bonds subsequent to the mandatory tender date); (e) state that notwithstanding the foregoing, while the Series 2002A Bonds are held in the Book-Entry System, Bonds need not be physically tendered on the mandatory tender date, and transfers of beneficial ownership interests will be made by the Securities Depository in accordance with its rules and procedures; and (f) describe the Mode in which the Series 2002A Bonds will bear interest after the Conversion Date.

**No Conversion after Certain Events.** No Bond shall be converted from one Mode to another Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration, if an Event of Default has occurred and is continuing under the Indenture.

**Liquidity Facility Required.** A Liquidity Facility is required for the Series 2002A Bonds while in the Short-Term Mode. The Required Amount of the Liquidity Facility is the aggregate principal amount of Series 2002A Bonds outstanding in such Mode plus an amount equal to Adequate Interest Coverage. With respect to the Weekly Rate Mode or the CP Rate Mode, **"Adequate Interest Coverage"**



means the aggregate amount of interest which would accrue on all such Outstanding Bonds in such Mode (other than Bank Bonds) at the Maximum Rate, (a) for a period of at least thirty-five (35) days, in the case of such Series 2002A Bonds in the Weekly Rate Mode, and (b) for a period equal to the longest CP Rate Period then applicable plus five days, in the case of Series 2002A Bonds in the CP Rate Mode or, in either case, such shorter period which the Rating Agencies shall have confirmed in writing to the Trustee will not result in a withdrawal, suspension or lowering of any rating on the Series 2002A Bonds from that which would otherwise be stated as a result of a longer interest coverage period. Notwithstanding the foregoing, Adequate Interest Coverage during the Weekly Rate Mode or the CP Rate Mode may cover interest on Series 2002A Bonds at a rate other than the Maximum Rate if (A) if the applicable rate is to be less than 10% per annum, the Trustee receives written notice from the Rating Agencies that such lower rate will not result in a withdrawal, suspension or lowering of any rating on the Series 2002A Bonds from that which would otherwise be stated as a result of a maintenance of coverage at the 10% rate, and (B) if the applicable rate is to be greater than 10% per annum, the Trustee notifies the Rating Agencies of such change. **“Adequate Interest Coverage”** during an Adjustable Rate Mode with an Adjustable Rate Period of one year or less means a period equal to the number of days in such Adjustable Rate Period plus five days, or such shorter period acceptable to the Rating Agencies and which will not result in a withdrawal or lowering of any rating on the Series 2002A Bonds from that which would otherwise be stated as a result of a longer interest coverage period.

### **Purchase of Series 2002A Bonds**

**Optional Tender – Weekly Rate Mode.** While the Series 2002A Bonds are in the Weekly Rate Mode and held in a Book-Entry System, the beneficial interest in any such Outstanding Series 2002A Bond or portion of such Bond in an Authorized Denomination (except any Bank Bond) will be purchased on the demand of the Beneficial Owner of such Series 2002A Bond on any Business Day at a price equal to 100% of the principal amount of such Series 2002A Bond, plus accrued and unpaid interest to the date of purchase. To exercise such option, the Beneficial Owner must deliver an irrevocable written notice to the Remarketing Agent at its Principal Office identifying the name and address of the Beneficial Owner and stating that the Beneficial Owner will cause its beneficial interest (or portion of such beneficial interest in an Authorized Denomination) to be purchased, the amount of such interest to be purchased and the date on which such interest will be purchased (which date must be a Business Day at least seven days after delivery of such notice to the Remarketing Agent) and specifying the Remarketing Agent as the Participant through which the Beneficial Owner maintains its interest. Upon delivery of the notice, the Beneficial Owner must cause its beneficial ownership interest in the Series 2002A Bonds (or portion of the Series 2002A Bonds specified in the notice) being purchased to be transferred to the Remarketing Agent at or prior to 9:30 a.m., Chicago time, on the optional tender date, in accordance with the rules and procedures of the Securities Depository.

If the Series 2002A Bonds in the Weekly Rate Mode are not then held in a Book-Entry System, each Series 2002A Bondholder has the right optionally to tender any of its Outstanding Series 2002A Bonds or a portion of such Bonds in an Authorized Denomination for purchase on any Business Day at a price equal to 100% of the principal amount of such Series 2002A Bond, plus accrued and unpaid interest to the purchase date, by delivery (by telecopy or otherwise) to the Tender Agent at its Principal Office on any Business Day, of:

- (a) written irrevocable notice effective upon receipt, which (1) states the name and address of the registered owner, the principal amount of such Series 2002A Bond (and the portion of such Series 2002A Bond to be tendered, if less than the full principal amount of such Series 2002A Bond is to be tendered) and the Series 2002A Bond number, and (2) states the date on which such Series 2002A Bond will be so purchased, which date will be a Business Day not prior to the first Business Day on or after the seventh day next succeeding the date of the delivery of such notice to the Tender Agent; and

(b) such Series 2002A Bond (with all necessary endorsements and guarantee of signature attached to the notice); *provided*, that the purchase price for such Series 2002A Bond will be paid by the close of business on the purchase date, but only upon the delivery of the Series 2002A Bond to the Tender Agent and *provided* the Series 2002A Bond conforms in all material respects to the description of the Series 2002A Bond in the notice. Also, if the registered owner of the tendered Bond is an open-ended diversified management investment company (registered under the Investment Company Act of 1940, as amended), the delivery described in this paragraph (b) need not be made until 9:30 a.m., Chicago time, on the date such Series 2002A Bond is to be purchased from such registered owner. Undelivered Bonds will be deemed to have been delivered at the time and on the date required, and will no longer be Outstanding under the Bond Ordinance or the Indenture, and the registered owner of an Undelivered Bond will thereafter be entitled only to the purchase price payable for such Series 2002A Bond on the required delivery date, and the purchase price will be paid to such registered owner only upon surrender of such Series 2002A Bond to the Tender Agent.

**Mandatory Tender.** The beneficial interests of the Beneficial Owners of all Outstanding Bonds are subject to mandatory purchase in whole (or if such Series 2002A Bonds are not then in the Book-Entry System, all such Series 2002A Bonds are subject to mandatory tender in whole by the holders of such Series 2002A Bonds to the Tender Agent at its Principal Office) on each date described below (a “Mandatory Purchase Date”) at a purchase price equal to 100% of the principal amount of such Series 2002A Bonds plus accrued interest to the mandatory tender date:

(a) On each Conversion Date (provided that if less than all of the Series 2002A Bonds are being converted from the CP Rate Mode to the Weekly Rate Mode under the circumstances described above under the subheading “Interest on the Series 2002A Bonds – CP Rate Provisions,” only the Series 2002A Bonds being converted will be subject to mandatory tender);

(b) On each CP Rate Reset Date with respect to any such Series 2002A Bond (provided that only those Series 2002A Bonds whose interest rates are being reset on such date will be subject to mandatory tender) or Adjustable Rate Reset Date, as applicable;

(c) On the second Business Day prior to the Expiration Date (being the date upon which the Liquidity Provider’s obligations to purchase related Series 2002A Bonds under the Liquidity Facility is scheduled to expire (taking into account any extensions of the Expiration Date) in accordance with its terms, other than by reason of an Automatic Termination Event, a Notice of Termination Date, a conversion to the Long-Term Adjustable Rate Mode or the deposit of an Alternate Liquidity Facility with the Trustee) or an expiration date of any Credit Facility;

(d) On the second Business Day preceding the effective date of any Credit Facility or any Alternate Liquidity Facility where the delivery and effectiveness of such Credit Facility or Alternate Liquidity Facility, as the case may be, will result in the reduction, suspension or withdrawal by any Rating Agency of the then short-term current rating on the Series 2002A Bonds affected ; and

(e) On the Business Day selected by the Trustee as the mandatory tender date where the Trustee has received written notice from the Liquidity Provider to the effect that an event of default (other than an event of default resulting in an Automatic Termination Event) has occurred under the Liquidity Facility and the Liquidity Provider is terminating its obligation to provide funds under that Liquidity Facility; *provided*, that the Business Day so selected by the Trustee must be at least five calendar days prior to the date upon which the Liquidity Provider’s obligation to purchase such Series 2002A Bonds under the Liquidity Facility will expire pursuant

to such notice. See “LIQUIDITY FACILITIES – Initial Liquidity Facility – Consequences of Events of Default.”

Not later than 20 days prior to a mandatory tender date described in paragraph (b), (c), (d) or (e) above, the Trustee will mail notice to all Owners of Series 2002A Bonds subject to mandatory tender stating that (1) due to the occurrence of one of the events described above (which event will be specified), such Owners’ Series 2002A Bonds will be subject to mandatory tender on the mandatory tender date (which date shall be specified); (2) that, subject to clause (4) below, all such Owners who fail to tender their Bonds for purchase on the mandatory tender date will nonetheless be deemed to have tendered their Bonds for purchase on such date; (3) that, subject to clause (4) below, any such Series 2002A Bonds not delivered to the Tender Agent on or prior to the mandatory tender date, for which there has been irrevocably deposited in trust with the Trustee or the Tender Agent on or prior to the mandatory tender date moneys sufficient to pay the purchase price of such Undelivered Bonds on the mandatory tender date, shall be deemed to have been so purchased at the purchase price, and such Series 2002A Bonds will no longer be considered to be outstanding for purposes of the Bond Ordinance or the Indenture and will no longer be entitled to the benefits of the Bond Ordinance or the Indenture, except for the payment of the purchase price of such Series 2002A Bonds (and no interest shall accrue on such Series 2002A Bonds subsequent to the mandatory tender date); and (4) that notwithstanding the foregoing, while the Series 2002A Bonds are held in the Book-Entry System, Bonds need not be physically tendered on the mandatory tender date, and transfers of beneficial ownership interests will be effected by the Securities Depository in accordance with its rules and procedures. With respect to mandatory purchases described in paragraph (c) above, such notice may state that it is subject to rescission, and the Trustee will rescind such notice if the Liquidity Facility has been extended or if an Alternate Liquidity Facility has been delivered prior to the second Business Day prior to the Expiration Date; *provided* that such notice of mandatory tender shall not be rescinded if the delivery and effectiveness of such Alternate Liquidity Facility will result in the reduction, suspension or withdrawal by any Rating Agency of the then short-term rating on the Series 2002A Bonds. No failure on the part of the Trustee to give such notice will affect the requirement that Series 2002A Bonds be tendered for purchase on the mandatory tender date.

While Series 2002A Bonds are held in a Book-Entry System, no physical tender of Series 2002A Bonds need be made on the mandatory tender date. Transfers of beneficial interests will be effected by the Securities Depository in accordance with its rules and procedures.

While Series 2002A Bonds are not in a Book-Entry System, owners of Undelivered Bonds will have no rights or benefits under the Bond Ordinance or the Indenture with respect to such Series 2002A Bonds other than to receive the purchase price for such Series 2002A Bonds upon surrender of such Series 2002A Bonds to the Tender Agent.

Upon the occurrence of any mandatory tender described in paragraph (b), (c), (d) or (e) above during an Adjustable Rate Mode, commencing on the date of such mandatory tender, the affected Series 2002A Bonds will bear interest in a Mode (and in the case of the Adjustable Rate Mode, in an Adjustable Rate Period) to be designated by the County by notice to the Trustee given at least five days prior to such date; *provided* that the designated Mode or Adjustable Rate Period will be effective only if the prerequisites to a conversion described above under the heading “Conversion Options” have been satisfied. If no such designation is made by the County, or if such prerequisites have not been satisfied, then, on the mandatory tender date, the affected Series 2002A Bonds, subject to the same qualifications and exceptions as are set forth in the second paragraph under the subheading “Interest on the Series 2002A Bonds – Adjustable Rate Provisions” above, will convert automatically to the Weekly Rate Mode and upon such conversion will bear interest at the Weekly Rate.

## **Remarketing of Tendered Series 2002A Bonds; Payment of Purchase Price**

The Indenture and the Remarketing Agreement require that the Remarketing Agent use its best efforts to remarket tendered Series 2002A Bonds of which it has received notice of tender or mandatory purchase from the Tender Agent (or Beneficial Owners, as the case may be), at a price equal to 100% of the principal amount of such Series 2002A Bonds plus accrued interest to the purchase date. Such remarketing will be made in accordance with, and subject to the conditions of, the provisions of the Remarketing Agreement. Series 2002A Bonds which have been duly tendered for purchase and which have not been remarketed will be purchased on the purchase date with funds provided under the Liquidity Facility; *provided*, that (i) during any period the Series 2002A Bonds are not supported by a Liquidity Facility (including any period during which a Liquidity Provider is not required, pursuant to the terms of its Liquidity Facility, to provide for the purchase price of tendered Series 2002A Bonds), or (ii) if the Liquidity Provider fails in its obligation to provide for the purchase price of tendered Series 2002A Bonds, then such Series 2002A Bonds will be purchased by the County on the purchase date. No assurance can be given that the County would have sufficient funds available on any optional or mandatory tender date to purchase tendered Series 2002A Bonds. While the Series 2002A Pledged Taxes have been levied for collection to provide for the payment of the principal of and interest on the Series 2002A Bonds as described herein, such taxes may not be collected at times or in amounts sufficient to provide for the purchase of Series 2002A Bonds on any optional or mandatory tender date. See "SECURITY FOR THE SERIES 2002A BONDS."

Upon receipt of a duly tendered written notice of an optional tender of Series 2002A Bonds, the Tender Agent shall notify in writing the Remarketing Agent, the County and the Trustee of the principal amount of Series 2002A Bonds tendered and the date fixed for purchase of the tendered Series 2002A Bonds. During any period the Series 2002A Bonds are held under a Book-Entry System, such notice will be given in writing by the Remarketing Agent to the County and the Trustee.

Prior to 2:00 p.m., Chicago time, on the Business Day which immediately precedes the purchase date for any Series 2002A Bonds, the Remarketing Agent shall give notice to the Tender Agent, the County and the Trustee of the principal amount of such Series 2002A Bonds which have been remarketed, the names, addresses and taxpayer identification numbers of the purchasers of such Series 2002A Bonds and the denominations in which the Series 2002A Bonds are to be purchased by and delivered to each purchaser. If less than all of the Series 2002A Bonds to be tendered on such purchase date have been remarketed, the Remarketing Agent shall, in addition, notify the Trustee, the Liquidity Provider, any Tender Agent and the County prior to 9:00 a.m., Chicago time, on the purchase date of the principal amount of Series 2002A Bonds which have not been remarketed and the amount of accrued interest to be paid on such Series 2002A Bonds on such purchase date. Purchasers of Series 2002A Bonds which have been remarketed are required to deliver the purchase price of such Series 2002A Bonds directly to the Tender Agent for deposit in the Purchase Fund (or, during any period the Series 2002A Bonds are in the Book-Entry System, such moneys shall be transferred to the account of the Remarketing Agent on the records of the Securities Depository) not later than 9:00 a.m., Chicago time, on the purchase date. By 9:30 a.m., Chicago time, on the purchase date, the Tender Agent shall notify the Trustee, the Remarketing Agent, the County and the Liquidity Provider of any Series 2002A Bonds which have been remarketed for which payment has not been received and the amount of remarketing proceeds which have been received. During any period the Series 2002A Bonds are held under the Book-Entry System, such notice shall be given by the Remarketing Agent.

Prior to 10:30 a.m., Chicago time, on any purchase date (whether optional or mandatory), the Trustee shall call upon the Liquidity Provider to provide funds in an amount, not in excess of the Required Amount of the related Liquidity Facility, equal to the purchase price of all related Series 2002A Bonds to be purchased on such purchase date, less the amount of remarketing proceeds of which the Trustee has notice were deposited with the Tender Agent (or the Remarketing Agent during any period the Series 2002A Bonds are held under a Book-Entry System) by 10:00 a.m. on such date (said net sum

being the “Net Purchase Amount”). Any further amounts required for any reason shall be drawn from the Series 2002A Account of the Bond Fund or be paid by the County.

The Trustee, to the extent it has obtained moneys under the Liquidity Facility for the purchase of Series 2002A Bonds, will authorize direct payment by the Liquidity Provider to the Tender Agent (or, during any period the Series 2002A Bonds are held under a Book-Entry System, to the payee specified by the Securities Depository) of the moneys so drawn.

The notices described above will be by telephone, telefacsimile transmittal, electronic mail or telegram, promptly confirmed in writing, except that any demand under the Liquidity Facility will be in accordance with the terms of the Liquidity Facility.

The Remarketing Agent has no obligation to remarket Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) (i) if there has occurred and is continuing an Event of Default under the Bond Ordinance or the Indenture, or (ii) if there is no Liquidity Facility in effect that supports Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) in a Short-Term Mode. If Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) are required to be tendered for purchase on the second Business Day prior to the Expiration Date, such Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) shall not be remarketed (i) unless remarketed in a Mode and period for which the Liquidity Facility is not required or (ii) unless and until the obligation of the Liquidity Provider to purchase Bonds at a price up to the Required Amount of the Liquidity Facility has been extended or renewed or an effective Alternate Liquidity Facility has been delivered to the Trustee. If Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) are required to be tendered for purchase on the Business Day selected by the Trustee as the mandatory tender date where the Trustee has received written notice from the Liquidity Provider to the effect that an event of default (other than an event of default resulting in an Automatic Termination Event) has occurred under the Liquidity Facility and the Liquidity Provider is terminating its obligation under the Liquidity Facility, such Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds) shall not be remarketed unless and until an effective Alternate Liquidity Facility has been delivered to the Trustee or the Series 2002A Bonds have been converted to a Long-Term Mode. In no event shall Bank Bonds (or beneficial interests in Bank Bonds) be remarketed unless the Liquidity Provider has reinstated, or will simultaneously reinstate, the amount available for which payment may be demanded under the Liquidity Facility to an amount sufficient to purchase Bonds at a price up to the Required Amount of the Liquidity Facility for such Series 2002A Bonds (or beneficial interests in the Series 2002A Bonds).

Any Series 2002A Bond optionally tendered for purchase after the date on which such Series 2002A Bond has been selected for redemption or the Trustee has notified the Series 2002A Bondholders of pendency of a conversion of the Interest Rate Mode of the Series 2002A Bonds shall not be remarketed unless the purchaser has been notified by the Trustee of the redemption or the Mode conversion, as appropriate. Any purchaser so notified must deliver a notice to the Trustee and the Tender Agent (or, during any period the Series 2002A Bonds are in the Book-Entry System, to the Remarketing Agent) stating that such purchaser is aware of the pendency of the redemption or of the interest rate Mode conversion, as appropriate, and agreeing not to resell the Series 2002A Bonds prior to the date of such redemption or conversion, as the case may be.

#### **Funds for Purchase Price of Series 2002A Bonds; Delivery of Purchased Series 2002A Bonds**

Series 2002A Bonds which are subject to optional or mandatory tender will be remarketed by the Remarketing Agent on a best efforts basis (except as described in this Official Statement under the heading “THE REMARKETING AGREEMENT” and the subheading “Tender Agent” below). On the date Series 2002A Bonds are to be purchased pursuant to the optional or mandatory tender provisions of the Indenture, the Tender Agent will deliver the purchase price to the tendering Bondholder (or, if the Series 2002A Bonds are held under a Book-Entry System, the Remarketing Agent or the Trustee, as

appropriate, will deliver the purchase price to the appropriate payee on the records of the Securities Depository), but only from the funds listed below, in the order of priority indicated:

- (a) the proceeds of the sale of such Series 2002A Bonds which have been remarketed by the Remarketing Agent to any person other than the County which have been delivered to the Tender Agent or the Remarketing Agent by 10:00 a.m., Chicago time, on the purchase date;
- (b) moneys demanded under the Liquidity Facility up to the Net Purchase Amount; and
- (c) if and only when there are insufficient funds available pursuant to paragraphs (a) and (b) above, moneys in the Series 2002A Account of the Bond Fund.

The Tender Agent will make available by 3:00 p.m., Chicago time, on the purchase date of any tendered Series 2002A Bonds (whether such tender was optional or mandatory), at its Principal Office in New York City, Series 2002A Bonds which have been purchased with moneys described in clause (a) above for receipt by the purchaser of such Series 2002A Bonds, which Series 2002A Bonds shall be authenticated by the Tender Agent. Series 2002A Bonds purchased with moneys described in clause (a) above shall be registered in the manner directed by the Remarketing Agent and delivered to the Remarketing Agent for redelivery to the purchasers of such Series 2002A Bonds. Series 2002A Bonds purchased with moneys described in clause (b) above shall be delivered by the Tender Agent to the Trustee, registered by the Trustee in the name of the Liquidity Provider indicating their status as Bank Bonds and held in the Custody Account established under the Indenture or as otherwise provided in the Liquidity Facility (or if the Series 2002A Bonds are held in the Book-Entry System, such Series 2002A Bonds shall be recorded in the books of the Securities Depository for the account of the Liquidity Provider or as otherwise provided in the Liquidity Facility). Series 2002A Bonds purchased with moneys described in clause (c) above shall be registered in the name of the County and delivered to the County.

Notwithstanding anything in the Indenture to the contrary, so long as the Series 2002A Bonds are held under a Book-Entry System, Series 2002A Bonds will not be delivered as set forth in the preceding paragraph; rather, transfers of beneficial ownership of the Series 2002A Bonds to the persons indicated above will be effected pursuant to its rules and procedures established by the Securities Depository.

### **Tender Agent**

Since the Series 2002A Bonds initially will be in a Book-Entry System, no Tender Agent has been appointed under the Indenture. If Series 2002A Bonds are no longer held in a Book-Entry System, the Trustee shall act itself as or appoint a Tender Agent for the Series 2002A Bonds who must be satisfactory to the County and the Remarketing Agent. The Tender Agent will effect purchases of Series 2002A Bonds, but only from the sources described in the Indenture. The Tender Agent will have no obligation to purchase Bonds, except from the proceeds of a remarketing of such Series 2002A Bonds, proceeds of an advance of funds under a related Liquidity Facility or other proceeds provided to it by the County pursuant to the Indenture. The Tender Agent may at any time resign by giving 30 days' written notice to the Trustee, the County, the Liquidity Provider and the Remarketing Agent, and by mailing notice of such resignation by first class mail to the owners of the Series 2002A Bonds.

The Tender Agent may be removed by the Trustee at any time by written notice to the County, the Liquidity Provider, the Remarketing Agent and the Tender Agent. Upon such a termination, or in case a successor Tender Agent ceases to be eligible under the Indenture, the Trustee shall either assume the duties of the Tender Agent or appoint a successor Tender Agent meeting the qualifications set forth under the Indenture; and in such event the Trustee shall provide written notice to the County, the

Liquidity Provider and the Remarketing Agent, a copy of which shall be mailed by the Trustee by first class mail to the Series 2002A Bondholders.

The Tender Agent must be a commercial bank or trust company having an office in the City of Chicago, Illinois or the Borough of Manhattan, City and State of New York and must meet other eligibility requirements set forth in the Indenture. Written notice of the appointment of a Tender Agent will immediately be given by the Trustee to the County, the Remarketing Agent and to the Series 2002A Bondholders. If no successor to a Tender Agent has accepted appointment in the manner described above within 30 days after the Tender Agent has given notice of its resignation as described above, or no Tender Agent shall have been appointed at such time as the Series 2002A Bonds are no longer held in the Book-Entry System, the Trustee will serve as Tender Agent or will appoint a successor Tender Agent.

## Redemption

### Optional Redemption

**Weekly Rate Mode or CP Rate Mode .** While the Series 2002A Bonds are in the Weekly Rate Mode, the Series 2002A Bonds will be subject to optional redemption in whole or in part in Authorized Denominations, on any Business Day. While in the CP Rate Mode, the Series 2002A Bonds will be subject to optional redemption in whole or in part in Authorized Denominations on any Interest Payment Date for such Series 2002A Bonds. Such redemptions will be at the direction of the County, upon at least 35 days' prior written notice delivered to the Trustee, the Liquidity Provider and the Remarketing Agent from the County, at a redemption price equal to 100% of the aggregate principal amount of the Series 2002A Bonds to be redeemed, plus accrued interest on such Series 2002A Bonds to the redemption date, without premium.

**Adjustable Rate Mode .** Series 2002A Bonds in the Adjustable Rate Mode having an Adjustable Rate Period to Stated Maturity are subject to optional redemption after the dates specified in the table below, in whole or in part on any date, at the direction of the County, upon at least 35 days' prior written notice from the County to the Trustee, the Liquidity Provider and the Remarketing Agent, at the applicable redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest on such Series 2002A Bonds to the date of redemption:

<u>Length of Adjustable Rate Period Stated to Maturity (expressed in whole years)*</u>	<u>Dates After Which Redemption is Allowed and Redemption Prices*</u>
greater than 8	after 7 years at 100%
less than or equal to 8 and greater than 6	after 5 years at 101%, declining by 1% in one year to 100%
less than or equal to 6 and greater than 4	after 3 years at 102%, declining by 1% annually to 100%
less than or equal to 4	not subject to redemption

\* Measured from the start of the currently applicable Adjustable Rate Period

Notwithstanding the foregoing, the Series 2002A Bonds in an Adjustable Rate Mode may be subject to optional redemption upon terms different than those set forth above (or not be subject to optional redemption during such period) if the County delivers to the Trustee on or before the first day of such Adjustable Rate Period a certificate specifying different optional redemption dates or prices to be in effect during such period (or that the Series 2002A Bonds will not be subject to optional redemption during such Period).

## **Mandatory Sinking Fund Redemption**

The Series 2002A Bonds are subject to mandatory redemption prior to maturity, by lot, on November 1 of the years shown in the following tables, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, and in the following amounts:

REDEMPTION DATE (NOVEMBER 1)	PRINCIPAL AMOUNT
2005	\$ 4,300,000
2006	3,200,000
2007	1,100,000
2008	2,300,000
2009	2,300,000
2010	300,000
2011	2,900,000
2012	4,300,000
2013	2,300,000
2014	3,400,000
2015	3,400,000
2016	3,600,000
2017	3,800,000
2018	3,900,000
2019	4,100,000
2020	4,300,000
2021	4,500,000
2022	4,300,000
2023 (maturity)	65,500,000

In connection with any mandatory redemption of Series 2002A Bonds, the principal amounts of such Series 2002A Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Series 2002A Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the County may determine. In the absence of such determination, partial optional redemptions of such Series 2002A Bonds will be credited against future mandatory redemption requirements in inverse chronological order of such payments beginning with the amount scheduled to become due at Stated Maturity, then the amount subject to mandatory redemption in the year preceding Stated Maturity, and so on. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Trustee may, and if directed by the Chief Financial Officer shall, purchase Bonds of such maturities in an amount not exceeding the amount of such Series 2002A Bonds required to be retired on such mandatory redemption date. Any such Series 2002A Bonds so purchased will be cancelled and the principal amount thereof credited against the payment required on such next mandatory redemption date.

## **Redemption of Bank Bonds**

The Bank Bonds are subject to optional redemption in whole or in part in Authorized Denominations at any time, as more fully provided in the Liquidity Facility. In addition, the Bank Bonds are subject to mandatory redemption, as more fully provided in the Liquidity Facility.



## General Provisions

**Notice of Redemption.** The Trustee will cause notice of any call for redemption to be sent by first class mail, postage prepaid, to the Tender Agent, the Liquidity Provider, the Remarketing Agent, the County and the Owner of each Series 2002A Bond to be redeemed. Such notice will be given not less than 30 days prior to the date of redemption for Bonds in the Weekly Rate Period, the Adjustable Rate Mode or the CP Rate Mode for a CP Rate Period if longer than 30 days; will be given not less than seven days prior to the date of redemption for Bonds in the CP Rate Mode for a CP Rate Period of less than 30 but more than seven days; will be given with confirmation of purchase for Bonds in the CP Rate Mode for a CP Rate Period of seven days or less; and shall be given as provided in the Liquidity Facility for Bank Bonds. In addition, if the Series 2002A Bonds are not then held under a Book-Entry System, the Trustee will also give notice (at least two Business Days before the redemption notice described in the preceding sentence) by registered, certified or overnight mail, or by facsimile transmission promptly confirmed in writing, to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2002A Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Series 2002A Bonds. Neither the failure to give any such notice nor any defect in any notice so mailed shall affect the sufficiency or the validity of any proceedings for the redemption of the Series 2002A Bonds.

The redemption notice will identify the Series 2002A Bonds or portions of Series 2002A Bonds to be redeemed and will state (a) the date of the notice and the redemption date, (b) the redemption price, (c) the original date of execution and delivery of the Series 2002A Bonds to be redeemed, (d) the rate of interest borne by the Series 2002A Bonds to be redeemed, (e) the date of Stated Maturity of the Series 2002A Bonds to be redeemed, (f) the numbers and CUSIP numbers of the Series 2002A Bonds to be redeemed, (g) that the redemption price of any such Series 2002A Bond is payable only upon the surrender of the Series 2002A Bond to the Trustee at its principal corporate trust office, (h) the address at which the Series 2002A Bonds (other than Bank Bonds and Series 2002A Bonds held under a Book-Entry System) must be surrendered, (i) that interest on the Series 2002A Bonds called for redemption ceases to accrue on the redemption date provided that on such date moneys are on deposit in the Bond Fund sufficient to pay the redemption price of the Series 2002A Bonds in full, and (j) such additional descriptive information identifying the Series 2002A Bonds to be redeemed as may be deemed appropriate by the Trustee to effect the redemption.

Any notice of optional redemption may also state (and shall state, if the County shall so direct) that the redemption is conditioned on receipt of moneys for such redemption by the Trustee on or prior to the redemption date; if such moneys are not received, the redemption of the Series 2002A Bonds for which notice was given will not be made.

**Redemption Payments; Effect of Deposit of Redemption Moneys .** If on any redemption date, moneys sufficient to pay in full the redemption price of Series 2002A Bonds called for redemption are on deposit with the Trustee and available to pay the redemption price of such Series 2002A Bonds, such Series 2002A Bonds will no longer be secured by or deemed to be Outstanding under the Bond Ordinance or the Indenture and interest will not continue to accrue on such Series 2002A Bonds after the date fixed for redemption. If sufficient moneys are not available on the redemption date, such Series 2002A Bonds or portions of such Series 2002A Bonds will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Partial Redemption.** Any partial redemption of Series 2002A Bonds will be made only in Authorized Denominations. If fewer than all of the Series 2000B Bonds are called for redemption, the portion of such Series 2002A Bonds to be redeemed will be selected by lot by the Trustee from among all such Outstanding Bonds; *provided* that the Trustee will first select Bank Bonds for redemption and, second, select Bonds tendered for purchase on the date fixed for redemption. Each Series 2002A Bond will be considered separate Series 2002A Bonds in the minimum number of Authorized Denominations

for purposes of selecting the Series 2002A Bonds to be redeemed. If it is determined that one or more, but not all, of the increments of principal amount represented by any Series 2002A Bond is to be called for redemption, then the Owner of such Series 2002A Bond, upon surrender of such Series 2002A Bond to the Trustee for payment, will be entitled to receive a new Series 2002A Bond or Bonds of such Series in the aggregate principal amount of the unredeemed balance of the principal amount of such Series 2002A Bond without charge therefor.

If the Owner of any Series 2002A Bond which is called for redemption only in part, fails to present such Series 2002A Bond to the Trustee for payment and exchange, such part of the Series 2002A Bond will, nevertheless, become due and payable on the date fixed for redemption and will no longer be deemed Outstanding under the Bond Ordinance or the Indenture.

Notwithstanding the foregoing provisions, if the Series 2002A Bonds are then held in the Book-Entry System, beneficial ownership interests will be selected for redemption by the Securities Depository acting pursuant to its rules and procedures.

### **Provisions Applicable When Not in Book-Entry System**

The following two paragraphs apply to the Series 2002A Bonds when not in the Book-Entry System:

The Trustee will be the registrar for the Series 2002A Bonds. Bonds may be transferred upon surrender of such Series 2002A Bonds at the principal corporate trust office of the Trustee in Chicago, Illinois, or in the case of tenders as described above under the subcaption "Purchase of Series 2002A Bonds," at any time when the Series 2002A Bonds are not in a Book-Entry System, at the office in New York, New York designated by the Tender Agent, together with an assignment satisfactory to the Trustee or the Tender Agent, as the case may be, duly executed by such holder or such holder's duly authorized attorney. The Series 2002A Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of related Series 2002A Bonds in authorized denominations. The Trustee shall not be required to transfer or exchange any Series 2002A Bond after notice calling such Series 2002A Bond or portion of such Series 2002A Bond for redemption has been mailed or during the 15 day period preceding the mailing of notice calling the Series 2002A Bonds for redemption, except with respect to tenders of Series 2002A Bonds permitted under the Indenture. Notwithstanding the foregoing, the Trustee or, at any time when the Series 2002A Bonds are not in a Book-Entry System, the Tender Agent shall authenticate and make available for receipt by the purchaser or purchasers of any such Series 2002A Bond tendered or deemed to be tendered in accordance with the Indenture, against payment for such Series 2002A Bond, a new fully registered Bond or Bonds, in Authorized Denominations, in an aggregate principal amount equal to the principal amount of the Series 2002A Bonds so deemed to have been tendered. The Trustee will charge to the owner for every such transfer and every exchange of a Bond sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange. Notwithstanding the foregoing, when Series 2002A Bonds are held in the Book-Entry System, transfers of beneficial ownership for the Series 2002A Bonds will be made pursuant to rules and procedures established by the Securities Depository.

The principal or redemption price of the Series 2002A Bonds is payable, upon surrender of such Series 2002A Bonds, at the corporate trust office of the Trustee. Interest on the Series 2002A Bonds will be to the registered owner as of the close of business on the Record Date with respect to an Interest Payment Date, by check mailed by first class mail on the applicable Interest Payment Date, *provided* that payment of interest on the Series 2002A Bonds will be made by the Trustee by wire transfer to (i) the Liquidity Provider and (ii) any owner of \$1,000,000 or more in aggregate principal amount of the Series 2002A Bonds respectively upon such owner providing the Trustee with written wire transfer instructions acceptable to the Trustee before the applicable Record Date. If and to the extent there shall be a default in the payment of the interest due with respect to any Series 2002A Bonds on such Interest Payment Date,

such defaulted interest shall be paid to the related Series 2002A Bondholders in whose names any such Series 2002A Bonds (or any Series 2002A Bond or Bonds issued upon registration of transfer or exchange thereof) are registered at the close of business on the Business Day next preceding the date of payment of such defaulted interest.

### **THE REMARKETING AGREEMENT**

Under the Remarketing Agreement and the Indenture, George K. Baum & Company, is appointed as Remarketing Agent. The Remarketing Agent agrees to perform all of the interest rate setting functions for the Series 2002A Bonds assigned to it in the Indenture and to use its best efforts to offer for sale and to sell the Series 2002A Bonds tendered at a price of not less than 100% of the principal amount thereof plus accrued interest, if any. The Remarketing Agent shall be under no obligation to remarket Bonds upon the occurrence of an Automatic Termination Event or Suspension Event. Pursuant to the Remarketing Agreement, the Remarketing Agent will consult from time to time with Jackson Securities Inc. in making the determinations and performing the duties and functions required by the terms of the Remarketing Agreement.

The Remarketing Agent may be removed at any time by the County by giving at least 30 calendar days' notice to the Remarketing Agent, the Liquidity Provider and the Trustee. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Remarketing Agreement by giving at least 30 calendar days' notice to the County, the Liquidity Provider and the Trustee. Otherwise, the Remarketing Agreement shall remain in effect until the earlier of the first day all the Series 2002A Bonds are converted to bear interest in an Adjustable Rate Period to Stated Maturity or the payment in full of all the Series 2002A Bonds.

It is the express intention of the County, the Trustee, and the Remarketing Agent that no purchase, sale or transfer of any Series 2002A Bonds pursuant to the Remarketing Agreement shall constitute or be construed to be the extinguishment of any Series 2002A Bonds or the indebtedness represented thereby or the reissuance of any Series 2002A Bonds or the refunding of any indebtedness represented thereby. The Remarketing Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Series 2002A Bonds, and may join in any action which any owner of Series 2002A Bonds may be entitled to take with like effect as if it did not act in any capacity under the Remarketing Agreement. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or other obligations of the County as freely as if it did not act in such capacity under the Remarketing Agreement.

### **COOK COUNTY GOVERNMENT**

The County covers a 956 square mile area in northeastern Illinois, including the City of Chicago and numerous suburban municipalities. Those suburbs with populations in excess of 50,000, based upon the 1990 U.S. Census, include Arlington Heights, Cicero, Des Plaines, Evanston, Mount Prospect, Oak Lawn, Oak Park, Schaumburg and Skokie. The County is the second most populous county in the United States. It is a political subdivision of the State of Illinois (the "State"), and was established in 1831.

Under the 1970 Illinois Constitution, the County is a home rule unit of government and, except as limited by State law, may exercise any power and perform any function relating to its government and affairs, including the power to borrow money and levy taxes. There are no current statutory limitations on the power of the County to levy real property taxes or to issue general obligation bonds or notes. There is a constitutional provision that limits the maturity of County debt payable from ad valorem property taxation to 40 years.

## **Principal Functions of Cook County Government**

The County presently performs three principal functions: the protection of persons and property; the provision of public health services; and general governmental services including, among others, the assessment of property, levy and collection of taxes and maintenance of certain highways.

**Protection of Persons and Property (Public Safety Fund).** The Circuit Court of Cook County is the largest unified court system in the United States, and the County Jail is the largest single site jail facility in the country. Protection of persons and property consists mainly of the operation of the Circuit Court of Cook County, prosecution of persons charged with criminal offenses, operation of the County Jail and operation of a Sheriff's police department. The County operates Cermak Health Services, an 82 bed medical-surgical facility serving inmates in the County Jail complex.

**Bureau of Health Services (Health Fund).** The Bureau of Health Services operates a delivery system composed of the following elements: Stroger Hospital of Cook County (formerly Cook County Hospital), Provident Hospital of Cook County, Oak Forest Hospital of Cook County, the Ambulatory and Community Health Network, the Cook County Department of Public Health, Cermak Health Services and the CORE Center. Stroger Hospital of Cook County is located on the west side of Chicago and is currently operating 525 beds. The hospital is the tertiary hub of the Bureau system, providing a full array of highly specialized services, including the city's largest Level 1 Trauma center, neonatology intensive care unit, and HIV/AIDS service. The hospital receives referrals from throughout the Bureau system as well as from other institutions around the County. Its emergency services are the largest in the Midwest, with 112,000 adult and 44,000 children's visits every year. The County is constructing a new 464-bed replacement facility, which has a guaranteed maximum construction contract price of \$366 million. This is within the original total replacement cost of \$551.6 million approved in 1994 for the replacement of the current hospital. The new facility is anticipated to open in August 2002.

Provident Hospital of Cook County is a community teaching hospital located on the south side of Chicago. Currently staffed for 113 beds, Provident's emergency department is the third busiest in Chicago, experiencing more than 53,000 visits annually.

Oak Forest Hospital of Cook County operates 550 rehabilitation, skilled nursing, acute care, ventilator and sub-acute beds, with a special unit devoted to the long term care of patients with HIV/AIDS. Located in the south suburbs, Oak Forest also provides emergency room and specialty outpatient care services for these communities.

The Ambulatory and Community Health Network operates 30 clinics throughout Chicago and suburban Cook County. Located in hospital, community and school settings, the network provides nearly 800,000 visits annually to largely uninsured patients.

The Cook County Department of Public Health is responsible for the public and environmental health protection of suburban Cook County. In addition to its regulatory and protective functions, the Department provides nearly 200,000 clinical visits (well-baby, communicable disease screenings, etc.) each year. The Department is supported equally by federal and state grants and by the County.

Cermak Health Services is the largest single jail health facility in the country, providing a full spectrum of public health, mental health and acute care services for more than 100,000 clinic visits annually.

The CORE Center is an outpatient facility dedicated to the care of patients with HIV/AIDS and related infectious diseases. This facility is a collaboration with Rush-Presbyterian-St. Luke's Medical Center.

The Bureau has also developed relationships with community hospitals to expand access to primary and maternity services and to assure Stroger Hospital of Cook County's role for tertiary referrals. These partnerships include: Bethany Hospital (where the Bureau is operating a primary care clinic and delivering low-risk pregnant women), St. Anthony Hospital (a partner in both primary care and maternal and infant services), and Thorek Hospital (in which the Bureau is operating a clinic with a primary focus on geriatric care to serve the large concentration of seniors in the community).

**Medicaid Developments.** Since 1991, the State and County have cooperated under several Intergovernmental Transfer Agreements that dictate the County's Medicaid reimbursement from the State and the County's fund transfers to the State to finance a portion of the State Medicaid program. In October 2000, the Health Care Financing Administration issued notice of a proposed rule to revise the upper payment limit calculation in HCFA regulations in a manner that would have restricted the State's ability to make payments to the County consistent with the existing Intergovernmental Transfer Agreements. In January 2001, the proposed HCFA rule was adopted in final form. In December 2000, federal legislation was enacted that would eliminate the adverse impact of the HCFA rule. The federal legislation substantially increases the State's authority to make disproportionate share hospital ("DSH") payments to Cook County. Upon the adoption of conforming amendments to Illinois law, the Intergovernmental Transfer Agreements and the State Medicaid Plan, the increased DSH payments authorized under the federal legislation could substantially offset the reduction in non-DSH payments mandated by the new HCFA rule beginning in July 1, 2003. Although there can be no assurances that such amendments will be adopted prior to July 1, 2003, both the State and the County would benefit substantially by the adoption of such amendments. As currently enacted, one provision of the federal legislation which mitigates the effect of the HCFA rule for all states would sunset for the State fiscal year beginning July 1, 2005. The County expects to work with the State of Illinois and other states to extend the effectiveness of this provision beyond that date. There can be no assurances that the sunset provision will be removed.

**General Government (Corporate Fund).** The Corporate Fund includes County revenues and expenditures for government management and supporting services, control of environment, education, highways, economic and human development, and assessment of real property, the levy, extension and collection of taxes and the recording of property transfers.

### **Administration of the County**

Responsibility for administration of the financial affairs of the County is shared by the President of the County Board, the County Board and the County Treasurer. The President of the County Board appoints, with the approval of the County Board, a Chief Financial Officer and the County Comptroller.

**President of the County Board.** The President of the County Board is John H. Stroger, Jr., who was elected to a second four-year term in 1998. Prior to his election, President Stroger served as a County Commissioner continuously from 1970 and as Chairman of the Committee on Finance of the County Board continuously from 1984. In 1993, President Stroger served as President of the National Association of Counties. President Stroger attended Xavier University of New Orleans and received a Bachelor of Science degree in Business Administration in 1952. He is a 1965 graduate of DePaul University College of Law.

The President is elected by the voters of the entire County for a four-year term. The President is the chief executive officer of the County and presides over the meetings of the County Board. The President has the power to veto resolutions and ordinances of the County Board. A four-fifths vote of the County Board is required to override the President's veto. The President is required to submit to the Committee on Finance of the County Board an Executive Budget which provides the basis upon which the Annual Appropriation Bill is prepared and enacted.

**County Board.** The County Board is the legislative body for County government. The County Board consists of 17 Commissioners elected for four-year terms. The Commissioners are elected from single member districts. The present Commissioners, all of whose terms expire in December 2002, are as follows:

Jerry Butler	Ted Lechowicz	Peter N. Silvestri
Allan C. Carr	Roberto Maldonado	Deborah Sims
Earlean Collins	William R. Moran	Bobbie L. Steele
John P. Daley	Joseph Mario Moreno	John H. Stroger, Jr.
Gregg Goslin	Michael Quigley	Calvin R. Sutker
Carl R. Hansen	Herbert T. Schumann, Jr.	

**Chairman, Committee on Finance.** John P. Daley is the Chairman of the Committee on Finance of the County Board. The Committee on Finance of the County Board consists of all the members of the County Board, and is required to prepare the Annual Appropriation Bill in tentative form and to submit it for enactment by the County Board.

**County Treasurer.** The County Treasurer is Maria Pappas. The County Treasurer was elected in November 1998 for a four-year term. The County Treasurer is responsible for the receipt and custody of County funds, and, as ex officio County Collector, is responsible for the collection of real property taxes.

**Chief Financial Officer.** Thomas J. Glaser serves as Chief Financial Officer for the County. He was appointed to the position by President Stroger in September 1995. The Chief Financial Officer is responsible for management and direction of the Bureau of Finance which oversees the Department of Budget and Management Services, the Purchasing Agent, the Office of Contract Compliance, the Department of Revenue, the Office of Comptroller and the Department of Risk Management. Mr. Glaser received a Bachelor of Science degree in Finance from Northern Illinois University and a Master of Business Administration degree from the University of Illinois at Chicago. Mr. Glaser is a Fellow of the Healthcare Financial Management Association, and a member of the GFOA Committee on Governmental Debt and Fiscal Policy.

**Deputy Chief Financial Officer.** Donna L. Dunning serves as Deputy Chief Financial Officer for the County. She was appointed to the position by President Stroger in September 1999. The Deputy Chief Financial Officer supports the Chief Financial Officer in the development of policy and the supervision of operations in the Bureau of Finance. Ms. Dunning received a Bachelor of Science degree in Accounting from University of Arkansas-Pine Bluff and a Master of Management degree in Finance and Real Estate from Northwestern University.

**County Comptroller.** The County Comptroller is John F. Chambers, who has been employed by the County since 1972 and was appointed by the President and approved by the County Board as County Comptroller effective May 1, 1990. The County Comptroller is responsible for settling all accounts in which the County is concerned. He authorizes all payments in accordance with the County's Budget (\$2.7 billion) including biweekly salary payments to over 26,000 employees. He also maintains the financial records of the County, prepares annual financial statements and prepares estimates of revenues for each fiscal year. Mr. Chambers is President of the Cook County Annuity and Benefits Fund and is Chairman of the Investment Committee. This fund has combined assets of approximately \$5.3 billion and is over 90% funded. He is also Chairman of the Cook County Deferred Compensation Committee with assets of over \$500 million.

**Retirement Board of the County Employees' and Officers' Annuity and Benefit Fund.** The Retirement Board is responsible for the management of the pension system for the County and the Forest

Preserve District of Cook County. It consists of two statutory members, the County Treasurer and the County Comptroller, and five other members elected by active and retired employees. By statute, the County Board is required to levy a tax annually upon all the taxable property in the County which, when added to the amounts deducted from the salaries of County employees or otherwise contributed by them, will be sufficient to meet the actuarial requirements of the County Employees' and Officers' Annuity and Benefit Fund (the "Fund"). Under the actuarial funding method utilized by the Fund (entry age normal method), the Fund had an unfunded liability as of December 31, 2000, of \$1,092,426,929 on a going concern basis and an excess funding of \$1,920,694,335 on a termination basis. The Fund had an unfunded liability of \$363,268,964 as of December 31, 2000, on the actuarial accrued liability basis required to be disclosed under Government Accounting Standards Board Statement 25.

## **Employees**

The County has budgeted the following number of positions for all of its departments in each of the five most recent fiscal years:

<u>Year</u>	<u>Number</u>
2002	26,699
2001	26,779
2000	26,847
1999	26,787
1998	26,841

Approximately 20,000 employees of the County are covered by collective bargaining agreements, the majority of which expired on November 30, 2001. The County is currently in negotiations with the two unions representing a majority of the employees covered by the expired collective bargaining agreements. The County cannot predict when new agreements will be reached or what the terms of those agreements will be. The County believes that its relationships with its employees, including its unionized employees, are satisfactory.

## **County's Continuing Capital Improvement Program**

Due to the scope and nature of its activities and the need to maintain its current facilities, the County has and will continue to have various ongoing capital improvement projects. To coordinate planning and to manage the development of County construction projects, the President of the County Board has appointed a Director of Capital Planning and Policy. The Director reviews all current and planned capital projects, which may result in changes in the nature and scope of certain projects.

The County Board may approve additional capital improvement projects and borrow to finance them at its discretion.

## **The Forest Preserve District of Cook County**

While the Forest Preserve District of Cook County (the "Forest Preserve District") is a separate governmental entity from the County, it is coterminous with the County and is governed by a board composed of the members of the County Board. The President of the County Board serves as President of the Forest Preserve District. The Forest Preserve District establishes, maintains and operates forest preserves in the County. Within the forest preserves are numerous recreation facilities including 80 miles of bicycle trails, 10 golf courses and 4 driving ranges. The Brookfield Zoo and the Chicago Botanic Garden, operated by private, not-for-profit organizations, are located on property owned by the Forest

Preserve District. The Forest Preserve District includes amounts in its property tax levy to pay a portion of costs of the operations of these two institutions.

The Forest Preserve District, as a non-home rule unit of government, is subject to the State Limitation Law described below under the heading ‘REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — State and County Limitation Laws.’ Obligations of the Forest Preserve District are not obligations of the County. The cash of the Forest Preserve District is not commingled with the cash of the County. The Retirement Board for the County serves also as the retirement board for the Forest Preserve District.

The financial operations of the Forest Preserve District are included in the County’s Comprehensive Annual Financial Report as a Special Revenue Fund. See ‘APPENDIX A — GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS (2000)’.

### **OTHER LOCAL GOVERNMENTAL UNITS**

There are more than 800 governmental units (the “Units”) located in whole or in part within the boundaries of the County, each of which (i) is separately incorporated and derives its power and authority under laws of the State, (ii) has an independent tax levy or revenue source, and (iii) maintains its own financial records and accounts, and most of which are authorized to issue debt obligations. Although the taxing units share tax bases to some extent, they are separate entities with separate financial circumstances.

The principal municipality in the County is the City of Chicago. Approximately 46% of the Equalized Assessed Valuation of taxable property in the County is located within the City. The remainder is located in other municipalities and unincorporated areas.

Other major governments within the County include the Forest Preserve District of Cook County, the Metropolitan Water Reclamation District of Greater Chicago, the Chicago Park District, the Chicago School Finance Authority, the Chicago Board of Education and Community College District No. 508 (the Chicago City Colleges). The financial impact of these units of government is further described in the tables captioned “Tax Rates Extended by City – Wide Local Governmental Units for Real Property in the City of Chicago” and “DEBT INFORMATION — Direct and Underlying Debt.”

A variety of special purpose entities have been created under Illinois law to facilitate the operations and financing of municipal, park, educational, transportation, health, sports, convention and port facilities, highways, housing, industrial development and other activities, none of which are authorized to impose real property taxes. These include (1) the Public Building Commission of Chicago, which issues bonds to finance the acquisition, construction and improvement of public buildings and leases its facilities to certain other governmental units; (2) the Regional Transportation Authority (“RTA”), which provides planning, funding, coordination and fiscal oversight of public mass transportation services in a six-county area of northeastern Illinois, including the County (the operating divisions of the RTA include the Chicago Transit Authority (“CTA”), the suburban rail division (METRA) and the suburban bus division (PACE)); (3) the CTA, which owns, operates and maintains a transportation system (including both rail and bus transport) in the metropolitan area of the County and receives an annual \$2,000,000 contribution from the County which is required by State law; (4) the Metropolitan Pier and Exposition Authority, which owns and operates the McCormick Place convention, exposition and related hotel facilities and Navy Pier; and (5) the Illinois Sports Facilities Authority which has issued bonds to provide funds for the construction of Comiskey Park and the reconstruction of Soldier Field and the provision of lakefront improvements, which bonds are primarily supported by hotel tax revenues.



## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

Information under this caption describes the procedures in effect as of the date of this Official Statement for real property assessment, tax levy and tax collection in the County. There can be no assurance that the procedures described herein will not be changed. Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

### **Assessment**

The County Assessor, who is elected by the voters of the County, is responsible for the assessment of all taxable real property within the County, except for certain railroad property, low sulphur dioxide emission coal-fueled devices and pollution control facilities which are assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by statute. The suburbs in the southwestern and southern portions of the County are being reassessed in 2002. The suburbs in the northern and northwestern portions of the County were reassessed in 2001, and the City of Chicago was reassessed in 2000.

Real property in the County is separated into nine classifications for assessment purposes. After the County Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. The current classification percentages range from 16% for certain residential, commercial and industrial properties to 36% and 38%, respectively, for other industrial and commercial properties.

In 2000, the County Board adopted an amendment to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, the amendment reduced certain property classification percentages and lengthened certain renewal periods of classifications.

The County Assessor has established procedures enabling taxpayers to contest their tentative Assessed Valuations. Once the County Assessor certifies the Assessed Valuations, a taxpayer can seek review of the assessment by the Cook County Board of Review (the "Board of Review"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor.

In addition owners of residential property can also appeal assessments to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal decisions of the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Law.

In March 2000 and August 2001, the PTAB rendered two series of decisions in which it granted reduced assessed valuations to the owners of certain real property in the County by employing lower levels of assessment. In the March 2000 decisions, the PTAB utilized the median levels of assessment derived from the Illinois Department of Revenue's sales-ratio studies (the "Sales-Ratio Studies") as the mechanism for determining correct assessment levels, instead of those set forth in the Classification Ordinance. Use of the Sales-Ratio Studies resulted in a lower assessment level than required by the Classification Ordinance. In its August 2001 decision, after examining the Sales-Ratio Studies, the PTAB held that the Assessor's assessment practices violated a provision of the State Constitution, which limits the level of assessment of the highest class of property, in a county that classifies property, to two and one-half times the level of assessment of the lowest class of property in that county. As a result, the PTAB established a maximum assessment level that is significantly below the assessment levels of commercial and industrial property currently set forth in the Classification Ordinance.

The Board of Review has appealed the March 2000 and August 2001 decisions of the PTAB to the Illinois Appellate Court.

If either of the PTAB decisions were affirmed in a final judicial decision, the lower levels of assessments could be applied to other property tax appeals then pending before either the PTAB or before a court, resulting in corresponding property tax refunds that the County would be obligated to pay. At present, however, the County is unable to predict the amount of any such refunds.

Despite any potential short-term impact on the County's general revenues, the County anticipates that the long-term impact of the PTAB decisions on the County will be negligible as none of these decisions questions the County's ability to levy or collect real property taxes or the amount of the County's real property tax levy.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court of Cook County. Objections filed in the Circuit Court of Cook County are reviewed pursuant to procedures similar to the judicial review procedure that has been in place for some time, but with a different standard of proof than that previously required. In addition, subject to certain time limits, in cases where the County Assessor agrees that an assessment error has been made after the assessment process is complete, the County Assessor can correct the Assessed Value, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

## **Equalization**

After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year (including any revisions made by the Board of Review), the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real estate in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. For tax year 2000, the Equalization Factor for the County was 2.2235. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base").

The following table sets forth the Equalization Factors for the last ten years.

<u>Tax Year</u>	<u>Equalization Factor</u>
2000	2.2235
1999	2.2505
1998	2.1799
1997	2.1489
1996	2.1517
1995	2.1243
1994	2.1135
1993	2.1407
1992	2.0897
1991	2.0523

Tax bills in Cook County are based on the Assessment Base for the preceding year. Property taxes to be billed in 2002 (for the 2001 tax year) will be based on the 2001 Equalized Assessed Valuation.

### **Exemptions**

The annual General Homestead Exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used for residential purposes by the amount of any increase over the 1977 Equalized Assessed Valuation, up to a maximum reduction of \$4,500. Additional exemptions exist for (i) senior citizens, with the exemption operating annually to reduce the Equalized Assessed Valuation on a senior citizen's home by a minimum of \$2,500 and (ii) disabled veterans, with the exemption operating annually to exempt up to \$58,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. A Homestead Improvement Exemption allows owners of single family residences to make up to \$45,000 in home improvements without increasing the Assessed Valuation of their property for at least four years. For rehabilitation of certain historic property, the Equalized Assessed Valuation is limited for eight years to the value of such property when the rehabilitation work began. The Senior Citizens Tax Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older and have annual incomes of \$40,000 or less. In general, the exemption limits the annual real property tax bill of such property by granting to senior citizens an exemption as to a portion of the valuation of their property. The exempt amount is the difference between the current Equalized Assessed Valuation of their residence and the Equalized Assessed Valuation of their residence for the year prior to the year in which the senior citizen first qualifies and applies for the exemption (plus the Equalized Assessed Valuation of improvements since such year). In addition, certain property is exempt from taxation on the basis of ownership and/or use such as public parks, public schools, churches, and not for profit and public hospitals.

Additionally, since 1996 counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, longtime, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Exemption Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption of certain homeowners who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), and whose annual household income for the year of assessment does not exceed 115% of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development.

## Tax Levy

In addition to the County, the major Units having taxing power over real property within the County include the Forest Preserve District, the Metropolitan Water Reclamation District of Greater Chicago, the City of Chicago, the Chicago Park District, the Chicago School Finance Authority, the Chicago Board of Education and Community College District No. 508 (the Chicago City Colleges).

As part of the annual budgetary process of the Units, proceedings are adopted by the designated body for each Unit each year in which it determines to levy real estate taxes. Such proceedings levy the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is *ex-officio* the County Collector.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over that particular parcel. The County Clerk enters the tax (determined by multiplying the total tax rate by the Equalized Assessed Valuation of that parcel) in the Warrant Books prepared for the County Collector, along with the tax rates, the Assessed Valuation and Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in the prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service, election costs and payments due under public building commission leases. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by a certification of compliance with the foregoing procedures. This Law does not impose any limitations on the rate or the amount of the levy to pay principal of and interest on County general obligation bonds and notes.

The Cook County Truth in Taxation Law, in effect in the County until December 31, 2002, imposes procedural limitations on the taxing powers of a Unit located within the County and requires that notice be published in prescribed form, of the Unit's annual levy, exclusive of levies for debt service, levies made for the purpose of paying amounts due under Public Building Commission leases and election costs. A public hearing must be held in December, which may not be in conjunction with the budget hearing of the Unit, on the intention to adopt an aggregate levy. The Cook County Truth in Taxation Law is repealed by its own terms as of January 1, 2003. No amount in excess of the preceding year's aggregate levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures of the Cook County Truth in Taxation Law. The Cook County Truth in Taxation Law does not impose any limitations on the rate or the amount of the levies to pay principal of and interest on County general obligation bonds and notes.

The County has complied with the applicable procedures under the Illinois Truth in Taxation Law and the Cook County Truth in Taxation Law in each year they have been effective and applicable to the County.

## Collection

Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year are extended and become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill equal to one-half of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, Assessed Valuation and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment. For each of the last 10 years, delays in the assessment and assessment appeal process have delayed the second installment "penalty due" (that is, the date after which interest is due on unpaid amounts) beyond August 1. It is possible that delays in the assessment process or changes to the assessment appeal process will cause similar delays in the preparation and mailing of the second installment tax bills in future years.

The following table sets forth the second installment penalty date (that is the date after which interest is due on unpaid amounts) for the last 10 years; the first installment penalty date has been March 1 for all years.

<u>Tax Year</u>	<u>Second Installment Penalty Date</u>
2000	November 1, 2001
1999	October 2, 2000
1998	November 1, 1999
1997	October 28, 1998
1996	September 19, 1997
1995	September 11, 1996
1994	November 3, 1995
1993	September 1, 1994
1992	September 1, 1993
1991	September 25, 1992

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments.

During periods of peak collections, the County Collector, as recipient of tax collections, forwards tax receipts to each Unit, including the County, on a no less than weekly basis. Upon receipt of taxes from the County Collector, the County Treasurer, as holder of County funds, promptly credits the taxes received to the funds for which they were levied. Amounts for debt service for certain bonds issued by the County in the past are deposited directly with escrow agents or trustees for those obligations. Tax receipts collected to pay debt service on the Series 2002A Bonds will be deposited by the County Collector directly with the Trustee.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on that year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 18% interest for each six-month period after the sale. If no redemption is made within the applicable period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary

parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens and for civil actions to collect taxes.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, and the taxes remain unpaid, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

A scavenger sale (the “Scavenger Sale”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is scheduled to be held every two years on all property on which two or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years, depending upon the type and occupancy of the property.

The Annual Appropriation Bill of the County has a provision for an allowance for uncollectible taxes. The County reviews this provision annually and makes adjustments accordingly. The allowance for uncollected taxes was 3% for 2002. For financial reporting purposes, uncollected taxes are written off by the County at the end of the fiscal year immediately following the year in which the taxes become due, although taxes remain liens against the properties taxed.

### **State and County Limitation Laws**

Through a combination of strong financial controls and the adoption of the Cook County Tax Relief Ordinance (described below), the County has controlled the growth of property taxes which it imposes on its citizens. By virtue of its constitutional home rule powers, the enactment of any legislation by the State applying any statutory tax rate limit to the County would require a three-fifths vote of each house of the Illinois General Assembly. No legislation is currently pending to impose a limit on the property tax rates which may be levied by home-rule units of government in Illinois, nor has any such legislation been proposed in the recent past, although the State has recently enacted, with the required three-fifths vote of each house, legislation which imposes limitations on the ability of home-rule units, such as the County, to increase real property transfer taxes. It is not possible to predict whether, or in what form, any property tax limitations applicable to the County would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the County’s ability to levy property taxes to finance operations at current levels and the County’s power to issue additional general obligation debt without the prior approval of voters. However, any property tax limits that might be imposed by the Illinois General Assembly after the issuance of the Series 2002A Bonds would not affect the amount of taxes levied to pay the principal of and interest on the Series 2002A Bonds.

**The State Limitation Law.** As the result of certain legislation enacted by the State in 1991, and amended in 1995 (the “State Limitation Law”), the Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units located in the County and counties contiguous to the County and (b) the ability of those taxing districts to issue unlimited tax general obligation bonds without voter approval (the “State Tax Cap”). Generally, the extension of property taxes for a taxing district subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index, whichever is less, or the amount approved by referendum. In 1995, the State Tax Cap was amended to authorize the issuance of “limited bonds” payable from the “debt service extension base” and to exclude from the State Tax Cap “double-barreled alternate bonds” issued pursuant to Section 15 of the Local Government Debt Reform Act of the State.

**The Cook County Tax Relief Ordinance.** On March 1, 1994, the County Board approved Ordinance No. 94-0-15, known as the Cook County Property Tax Relief Ordinance (the “County Ordinance”). Beginning with the real estate tax levies for the Corporate, Public Safety and Health Funds

for 1995 for taxes paid in 1996 and thereafter, the County Board has resolved not to increase the aggregate tax levy for such funds for any year over the prior year's aggregate levy by an amount greater than five percent or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year, whichever is less. The County Board may adopt an aggregate levy for any year in excess of the foregoing limitations if approved by a two-thirds vote of the members of the County Board then in office. Tax levy increases for pensions, elections and debt service are excluded from the limit imposed by the County Ordinance. The County Ordinance can be repealed or amended by the County Board.

## TAXATION OF REAL PROPERTY — STATISTICAL INFORMATION

The Equalized Assessed Valuation and the estimated fair market value of real property in the County over recent years is set forth below. The figures shown for each year for estimated fair market value correspond to the Equalized Assessed Valuation for the same year.

### Estimated Fair Market Value <sup>(1)</sup>

<u>Year</u>	<u>Chicago</u>	<u>Outside Chicago</u>	<u>Total Cook County</u>
2000	\$165,520,129,904	\$175,774,045,203	\$341,294,175,107
1999	124,544,157,747	178,000,611,549	302,544,769,296
1998	112,606,894,143	158,980,052,018	271,586,946,161
1997	106,282,206,560	156,144,047,036	262,426,253,596
1996	100,460,112,578	154,725,416,129	255,185,528,707
1995	97,291,355,992	144,412,766,369	241,704,122,361
1994	92,572,461,358	138,730,866,304	231,303,327,662
1993	94,219,758,929	131,173,049,219	225,392,808,148
1992	94,378,613,328	126,547,831,736	220,926,445,064
1991	91,031,581,689	123,950,570,339	214,982,152,028

<sup>(1)</sup> Source: Civic Federation, Chicago, Illinois, based upon information from the Illinois Department of Revenue.  
Excludes railroad property.

### Equalized Assessed Valuation <sup>(1)</sup>

<u>Year</u>	<u>Chicago</u>	<u>Outside Chicago</u>	<u>Total Cook County</u>
2000	\$40,480,077,486	\$46,828,104,949	\$87,308,182,435
1999	35,354,802,059	47,305,121,590	82,659,923,649
1998	33,940,145,776	44,516,200,073	78,456,345,849
1997	33,349,557,227	42,134,556,668	75,484,113,895
1996	30,765,001,358	42,034,673,017	72,799,674,375
1995	30,381,480,347	40,035,226,980	70,416,707,327
1994	30,090,355,467	37,672,993,567	67,763,349,034
1993	28,661,954,119	38,166,137,285	66,828,091,404
1992	27,964,127,826	35,995,210,536	63,959,338,362
1991	27,397,830,030	32,580,177,151	59,978,007,181

<sup>(1)</sup> Source: Cook County Clerk, Tax Extension Division

### Equalized Assessed Valuation (in thousands) by Property Type <sup>(1)</sup>

Year	Residential	Commercial	Industrial	Railroad	Farm	Totals
2000 <sup>(2)</sup>						\$87,308,182
1999	\$39,681,038	\$28,761,783	\$13,761,652	\$343,219	\$12,232	82,659,924
1998	37,046,553	27,730,213	13,349,244	320,174	10,162	78,456,346
1997	34,898,530	27,076,292	13,181,058	317,388	10,846	75,484,114
1996	33,307,326	26,254,332	12,917,611	308,930	11,475	72,799,674
1995	31,610,855	25,924,442	12,565,357	304,846	11,207	70,416,707
1994	29,815,701	25,446,269	12,198,144	291,842	11,395	67,763,351
1993	29,025,132	25,270,176	12,225,854	295,490	11,440	66,828,092
1992	27,495,798	24,429,818	11,733,337	288,048	12,337	63,959,338
1991	25,264,364	23,245,971	11,171,915	282,948	12,810	59,978,008

(1) Source: Cook County Clerk, Tax Extension Division

(2) Breakdown by property type not yet available.

The following tables show (i) the rates at which taxes have been extended for collection in the City of Chicago; (ii) the rates at which taxes have been extended for collection for the various County funds; (iii) the dollar amount of taxes extended for collection for each of the various County funds; and (iv) the dollar amount of taxes extended and collected for the County.

### Tax Rates Extended by City-Wide Local Governmental Units for Real Property in the City of Chicago (Per \$100 Equalized Assessed Valuation) <sup>(1)</sup>

Tax Year <sup>(2)</sup>	Cook County	Forest Preserve District	Metropolitan Water Reclamation District	City of Chicago	Chicago Park District	Chicago School Finance Authority	Chicago Board of Education	Community College District No. 508	Total Rate
2000	\$ .824	\$.069	\$.415	1.660	\$.572	\$.223	\$3.714	\$.331	\$7.808
1999	.854 <sup>(3)</sup>	.070	.419	1.860	.627	.255	4.104	.347	8.536
1998	.911	.072	.444	1.998	.653	.268	4.172	.354	8.872
1997	.919 <sup>(3)</sup>	.074	.451	2.024	.665	.270	4.084	.356	8.843
1996	.989	.074	.492	2.182	.721	.291	4.327	.377	9.453
1995	.994 <sup>(3)</sup>	.072	.495	2.131	.730	.296	4.251	.376	9.345
1994	.993	.073	.495	2.158	.741	.265	4.167	.372	9.264
1993	.971 <sup>(3)</sup>	.072	.471	2.288	.778	.150	4.324	.381	9.435
1992	1.176	.063	.470	2.210	.735	.190	4.267	.390	9.501
1991	1.040 <sup>(3)</sup>	.064	.482	2.183	.718	.204	4.222	.398	9.311

(1) After abatement.

(2) Based on taxes extended for collection in the succeeding year as a percentage of the Equalized Assessed Valuation for the tax year.

(3) In addition, a tax of \$0.023 for 1999, \$0.027 for 1997, \$0.029 for 1995, \$0.022 for 1993 and \$0.023 for 1991 was extended against all real property in the County outside the City of Chicago for election costs.



**County Tax Rates by Fund <sup>(1)</sup>**  
**(Per \$100 Equalized Assessed Valuation)**

Fund	Tax Year <sup>(2)</sup>				
	2000	1999	1998	1997	1996
Corporate .....	\$0.014370	\$0.015187	\$0.026703	\$ 0.032986	\$ 0.038759
Health.....	0.218947	0.235619	0.237731	0.284866	0.295370
Public Safety .....	0.231212	0.244214	0.257299	0.267430	0.258561
Election <sup>(3)</sup> .....	0.030157	0.000000	0.029660	0.000000	0.032112
Bond and Interest .....	0.164121	0.182772	0.190022	0.171460	0.210387
Employees' Annuity and Benefit .....	0.164295	0.175808	0.169585	0.162258	0.153811
<b>TOTALS .....</b>	<b><u>\$0.823102</u></b>	<b><u>\$0.854000</u></b>	<b><u>\$0.911000</u></b>	<b><u>\$ 0.919000</u></b>	<b><u>\$ 0.989000</u></b>

<sup>(1)</sup> After abatement.

<sup>(2)</sup> Taxes for a tax year are extended for collection in the succeeding year.

<sup>(3)</sup> In addition, a tax of \$0.023 for 1999 and \$0.027 for 1997 was extended against all real property in the County outside the City of Chicago for election costs.

**County Tax Extensions by Fund**

Funds	Tax Year <sup>(1)</sup>				
	2000	1999	1998	1997	1996
Corporate .....	\$ 12,546,222	\$ 12,546,222	\$ 20,663,760	\$ 24,905,618	\$ 28,220,583
Health.....	191,158,754	194,762,278	186,514,856	215,028,576	215,028,398
Public Safety .....	201,867,242	201,867,242	201,867,242	201,867,166	188,231,566
Election <sup>(2)</sup> .....	26,329,267	10,763,606	23,269,961	11,376,330	23,377,432
Bond and Interest .....	143,291,244	151,078,793	149,084,090	129,425,062	153,161,051
Employees' Annuity and Benefits .....	143,443,160	145,323,051	133,050,215	122,479,013	111,973,907
<b>TOTALS .....</b>	<b><u>\$718,635,889</u></b>	<b><u>\$716,341,192</u></b>	<b><u>\$714,450,124</u></b>	<b><u>\$705,081,765</u></b>	<b><u>\$719,992,937</u></b>

<sup>(1)</sup> Taxes for a tax year are extended for collection in the succeeding year.

<sup>(2)</sup> Includes tax for the years 1999 and 1997 extended on all property in the County outside the City of Chicago for election costs.

**County Tax Extensions and Collections**  
**(Calendar Years)**

Tax Year <sup>(2)</sup>	Gross Tax Extensions	Allowance for Uncollected Taxes <sup>(3)</sup>	Net Tax Extensions	First Calendar Year Collections of Net Extensions <sup>(1)</sup>			Total Cumulative Collections as of December 31, 2001		
				Amount Collected	Percent Gross	Percent Net	Amount Collected	Percent Gross	Percent Net
2000	\$718,635,889	\$12,957,045	\$705,678,844	\$698,636,984	97.22%	99.00%	\$698,636,984	97.22%	99.00%
1999	716,341,192	12,598,180	703,743,012	698,651,461	97.53	99.28	710,377,668	97.53	100.94
1998	714,450,124	13,220,794	701,229,330	662,916,651	92.79	94.54	691,871,816	96.84	98.67
1997	705,081,765	13,641,674	691,440,091	658,482,731	93.39	95.23	658,482,731	93.39	95.23
1996	719,992,937	13,632,436	706,360,501	690,800,512	95.95	97.80	714,721,783	99.27	101.18
1995	711,552,287	12,938,524	698,613,763	690,869,872	97.09	98.89	703,178,414	98.82	100.65
1994	672,370,157	13,181,197	659,188,960	646,511,470	96.15	98.08	667,140,971	99.22	101.21
1993	657,297,318	15,135,376	642,161,942	638,454,700	97.13	99.42	648,990,010	98.74	101.06
1992	752,161,833	10,806,603	741,355,230	730,106,457	97.07	98.48	744,807,075	99.02	100.47
1991	631,264,726	11,119,522	620,145,204	605,508,269	95.92	97.64	623,797,615	98.82	100.59

<sup>(1)</sup> Beginning with second installment penalty date in year of extension.

<sup>(2)</sup> Taxes for a tax year are extended for collection in the succeeding year.

<sup>(3)</sup> The allowance for uncollected taxes was 2% for tax year 1990 and was 3% for 1992 through 2000.

## DEBT INFORMATION

The following tables describe the County's general obligation bonded debt, adjusted for the issuance of the Series 2002A Bonds, the Series 2002B Bonds and the Series 2002C Bonds as set forth below.

### Direct and Underlying Debt

The following table sets forth the direct and overlapping bonded debt applicable to the County as of January 2, 2002.

#### Direct Debt

General Obligation Bonds .....	\$2,080,690,000
The Series 2002A Bonds .....	123,800,000
The Series 2002B Bonds <sup>(1)</sup> .....	245,400,000
The Series 2002C Bonds <sup>(1)</sup> .....	226,060,000
 Total Direct Debt .....	 <u><u>\$2,675,950,000</u></u>

#### Underlying Debt <sup>(2) (3)</sup>

City of Chicago.....	\$3,966,818,000
Chicago Board of Education.....	3,524,277,000
Chicago School Finance Authority .....	521,581,000
Chicago Park District .....	794,585,000
Community College District 508 .....	136,245,000
Metropolitan Water Reclamation District.....	1,118,423,000
Forest Preserve District.....	41,445,000
Other Bonded Debt <sup>(4)</sup> .....	3,723,031,000

Total Overlapping Debt .....	<u><u>\$13,826,405,000</u></u>
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Direct Debt and Underlying Debt .....	<u><u>\$16,502,355,000</u></u>
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<sup>(1)</sup> Issued March 13, 2002.

<sup>(2)</sup> Excludes short-term cash flow notes.

<sup>(3)</sup> Includes responsibility for principal amounts of bonds issued by the Public Building Commission.

<sup>(4)</sup> As of January 1, 2002 and includes debt issued by all governmental units within Cook County outside the City of Chicago. Excludes alternate revenue bonds and special service area debt.

### Selected Debt Statistics

2000 Population	5,376,741
2000 Equalized Assessed Valuation	\$87,308,182,435
2000 Estimated Fair Market Value	\$341,294,175,107

	<u>Per Capita</u>	<u>% of Equalized Assessed Valuation</u>	<u>% of Estimated Fair Market Value</u>
Direct Debt	\$ 497.69	3.07%	0.78%
Direct and Underlying Debt	\$3,069.21	18.90%	4.84%

**The County of Cook, Illinois**  
**General Obligation Bond Debt Service**  
**As of January 2, 2002, adjusted for the issuance of the Series 2002A Bonds,**  
**the Series 2002B Bonds and the Series 2002C Bonds**

Fiscal Year	Outstanding Debt		The Series 2002A Bonds		The Series 2002B Bonds and Series 2002C Bonds		Total Debt Service			% of Principal Retired	
	Principal	Interest <sup>(1)</sup>	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(2)(3)</sup>	Principal	Interest <sup>(1)(2)(3)</sup>	Total	Annual	Cumulative
2002	\$ 54,820,000	\$ 88,187,513					\$ 54,820,000	\$ 88,187,513	\$143,007,513	2.05%	2.05%
2003	57,855,000	88,384,728					57,855,000	88,384,728	146,239,728	2.16%	4.21%
2004	51,200,000	95,197,342					51,200,000	95,197,342	146,397,342	1.91%	6.12%
2005	50,735,000	102,262,284	\$ 4,300,000	\$3,699,302		\$14,864,789	55,035,000	120,826,375	175,861,375	2.06%	8.18%
2006	55,325,000	99,379,509	3,200,000	5,975,000		22,687,250	58,525,000	128,041,759	186,566,759	2.19%	10.37%
2007	61,045,000	96,244,599	1,100,000	5,815,000		22,687,250	62,145,000	124,746,849	186,891,849	2.32%	12.69%
2008	60,425,000	92,879,274	2,300,000	5,762,630		22,692,292	62,725,000	121,334,197	184,059,197	2.34%	15.03%
2009	63,670,000	89,641,474	2,300,000	5,642,422		22,682,208	65,970,000	117,966,104	183,936,104	2.47%	17.50%
2010	74,045,000	85,893,661	300,000	5,530,000		22,687,250	74,345,000	114,110,911	188,455,911	2.78%	20.28%
2011	72,800,000	81,815,489	2,900,000	5,515,000		22,687,250	75,700,000	110,017,739	185,717,739	2.83%	23.11%
2012	75,005,000	77,645,389	4,300,000	5,372,452		22,692,292	79,305,000	105,710,134	185,015,134	2.96%	26.07%
2013	80,915,000	73,639,660	2,300,000	5,152,646		22,682,208	83,215,000	101,474,514	184,689,514	3.11%	29.18%
2014	85,465,000	69,069,100	3,400,000	5,040,000		22,687,250	88,865,000	96,796,350	185,661,350	3.32%	32.50%
2015	90,235,000	64,289,000	3,400,000	4,870,000		22,687,250	93,635,000	91,846,250	185,481,250	3.50%	36.00%
2016	94,895,000	59,597,781	3,600,000	4,702,146		22,692,292	98,495,000	86,992,220	185,487,220	3.68%	39.68%
2017	99,830,000	54,651,406	3,800,000	4,517,936		22,682,208	103,630,000	81,851,550	185,481,550	3.87%	43.55%
2018	105,025,000	49,447,281	3,900,000	4,330,000		22,687,250	108,925,000	76,464,531	185,389,531	4.07%	47.62%
2019	110,470,000	43,971,250	4,100,000	4,135,000		22,687,250	114,570,000	70,793,500	185,363,500	4.28%	51.91%
2020	116,250,000	38,174,019	4,300,000	3,931,795		22,692,292	120,550,000	64,798,106	185,348,106	4.50%	56.41%
2021	122,285,000	32,106,569	4,500,000	3,713,304		22,682,208	126,785,000	58,502,080	185,287,080	4.74%	61.15%
2022	128,630,000	25,687,138	4,300,000	3,490,000		22,687,250	132,930,000	51,864,388	184,794,388	4.97%	66.12%
2023	53,435,000	19,063,825	65,500,000	3,275,000	\$ 9,000,000	22,687,250	127,935,000	45,026,075	172,961,075	4.78%	70.90%
2024	42,245,000	16,367,675			72,810,000	22,242,292	115,055,000	38,609,967	153,664,967	4.30%	75.20%
2025	44,360,000	14,229,800			76,000,000	18,591,708	120,360,000	32,821,508	153,181,508	4.50%	79.69%
2026	46,580,000	11,984,894			78,750,000	14,796,750	125,330,000	26,781,644	152,111,644	4.68%	84.38%
2027	48,915,000	9,627,638			83,500,000	10,570,500	132,415,000	20,198,138	152,613,138	4.95%	89.33%
2028	51,380,000	7,122,538			87,000,000	6,816,111	138,380,000	13,938,649	152,318,649	5.17%	94.50%
2029	26,230,000	4,491,175			35,000,000	2,896,677	61,230,000	7,387,852	68,617,852	2.29%	96.79%
2030	27,565,000	3,114,100			15,000,000	1,323,000	42,565,000	4,437,100	47,002,100	1.59%	98.38%
2031	29,055,000	1,598,025			14,400,000	648,000	43,455,000	2,246,025	45,701,025	1.62%	100.00%
TOTAL <sup>(4)</sup>	<u>\$2,080,690,000</u>	<u>\$1,595,764,132</u>	<u>\$123,800,000</u>	<u>\$90,469,633</u>	<u>\$471,460,000</u>	<u>\$501,120,327</u>	<u>\$2,675,950,000</u>	<u>\$2,187,354,096</u>	<u>\$4,863,304,096</u>		

<sup>(1)</sup> Net of remaining Capitalized Interest on Series 1999 Bonds and Series 2001 Bonds.

<sup>(2)</sup> Net of Capitalized Interest.

<sup>(3)</sup> Interest rate on variable rate Series 2002A Bonds assumed to be approximately 5.00%. Interest rate on Series 2002B Bonds assumed to be approximately 4.50%.

<sup>(4)</sup> Totals may not add due to rounding.

## **ACCOUNTING AND FINANCIAL INFORMATION**

### **Description of Accounting Practices**

The accounting system of the County is operated and maintained on a fund accounting basis implemented to present the financial position and results of operations of each fund. The accounting system of the County is also designed to provide budgetary control over the revenues and expenditures of each fund. Generally accepted governmental accounting principles promulgated by the Government Accounting Standards Board are followed, and are applied on a basis consistent with that of the preceding years. For a summary of significant accounting practices of the County, see "APPENDIX A — GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS (2000) — Notes to Financial Statements".

The most recent audited general purpose financial statements of the County are for the fiscal year ended November 30, 2000 and are included as APPENDIX A, with the auditor's letter from Arthur Andersen LLP. The Corporate Fund and the Public Safety Fund are included as the General Fund. The Health Fund is included as the Enterprise Fund and the Forest Preserve District is included as a Special Revenue Fund. Financial statements for the Health Fund and the Forest Preserve District were audited by other independent certified public accountants, which audits were relied upon by Arthur Andersen LLP in connection with its audit of the County's general purpose financial statements for the fiscal year ended November 30, 2000.

### **Cash Management**

The County Treasurer maintains a cash record for each of the County funds. However, except as discussed below, cash is deposited in the County's operating bank accounts, which are treated as a single aggregate cash account. Investments are made on an aggregate basis as well, but the interest thereon is posted to the individual funds. As of November 30, 2001, the County had an estimated cash balance of \$362,507,767 in its Corporate, Public Safety, Health, Election and Motor Fuel Tax funds combined, excluding money escrowed or held by trustees for payment of Series 2002A Bonds which are not commingled with general County funds.

### **Investment Policy**

The County Treasurer, who is the official responsible for the investment of certain County funds, has a written investment policy applicable to County funds. Under the current policy, safety of principal is the primary investment objective, followed by liquidity and rate of return. All public moneys are deposited in banks that are required to collateralize deposited funds with approved securities equal to 110% of market value. The County Treasurer maintains a system to monitor the market value of such collateral securities. All collateral is held at third party safekeeping institutions acting as custodian. Securities approved for investment include (1) U.S. Treasury Bills, Notes and Bonds, (2) certificates of deposit or time deposits issued by national or state chartered banks within Cook County, and (3) certain other investments permitted by State law, including, (a) interest-bearing savings accounts constituting direct obligations of a bank, (b) shares or other securities issued by savings and loan associations, provided they are insured by the Federal Deposit Insurance Corporation, (c) securities guaranteed by the full faith and credit of the United States of America as to principal and interest, and (d) short term discount obligations of the Fannie Mae. This investment policy is subject to change by the County Treasurer in accordance with applicable law. In addition, the Treasurer is authorized to invest in the Illinois Treasurer's Investment Pool pursuant to an ordinance adopted by the County Board.

## Working Cash

The County's taxes levied for its budget for a fiscal year are extended for collection in the calendar year following the end of the fiscal year. Thus, taxes levied for operating expenses for the County's 2001 fiscal year ended November 30, 2001, will be extended for collection in calendar year 2002. In order to finance operations pending the collection of taxes and to provide for month-to-month cash flow needs, the County maintains a Working Cash Fund. As described above under the heading "PLAN OF FINANCE – Working Cash Fund Purposes," certain proceeds of the Series 2002A Bonds will be deposited in the Working Cash Fund.

The County maintains a consolidated Working Cash Fund for corporate, public safety, health and election purposes. The money to establish and increase this Working Cash Fund was obtained from the issuance of long-term bonds and from legally available County funds. Certain proceeds from the sale of the Series 2001A Taxable Bonds will be used to increase the Working Cash Fund.

### Working Cash Funds Available Amounts (as of November 30)

Fund	2001	2000	1999	1998	1997
Corporate .....	\$ 19,663,943	\$ 22,441,782	\$ 21,233,029	\$ 20,091,626	\$ 19,052,629
Public Safety .....	133,627,441	141,909,202	134,611,749	128,439,346	123,577,894
County Health .....	127,434,505	124,540,640	118,110,654	112,576,142	107,809,639
Subtotals .....	\$280,725,889	\$288,891,624	\$273,955,432	\$261,107,114	\$250,440,162
Election.....	21,826,823	20,833,250	19,512,404	18,520,979	17,623,296
Totals.....	<u>\$302,552,712</u>	<u>\$309,724,874</u>	<u>\$293,467,836</u>	<u>\$279,628,093</u>	<u>\$268,063,458</u>

In addition to advances from the Working Cash Fund, cash credited to the operating funds which is not currently required for operations may also be borrowed by other funds on a temporary basis to cover needs for cash prior to anticipated cash receipts by the borrowing fund. These interfund borrowings result from the issuance of checks in amounts in excess of the cash credited to the fund for which the check was issued. No interfund borrowings are made from funds maintained for debt service.

## Financial Information (Budgetary Basis)

The financial information on the following pages is prepared on a legally prescribed budgetary basis of accounting which differs from generally accepted accounting principles (GAAP). The financial information presented herein was prepared based on records maintained by the County Comptroller and the presentation of the information on a budgetary basis has not been examined by the County's external auditors.

The significant differences in accounting practices between the operating statements presented under GAAP and the budgetary operating statements follow:

(a) Property tax levies and personal property replacement taxes (“PPRT”) are recognized as revenue in the budgetary statements in the year levied or the year replacement personal property taxes would have been levied. The operating statements prepared under GAAP recognize property tax levies as revenue in the subsequent year when they become available; PPRT are recognized when collected by the County.

(b) Expenditures related to specific property tax levies (i.e., pension obligation, principal and interest on general obligation bonds, rental obligations, and allowances for uncollectible taxes) are recognized in the budgetary statements in the year the taxes are levied. The GAAP operating statements recognize these expenditures when the related liability is incurred with the exception of principal and interest on general long-term debt, which is recognized when due.

(c) Encumbrances are combined with expenditures in the budgetary statements but are excluded in the GAAP operating statements.

(d) Incurred obligations (i.e., accounts payable and accrued salaries) are recognized as expenditures when paid in the budgetary statements while the GAAP operating statements recognize these items when the related liability is incurred.

(e) Revenue is recognized when received in the budgetary statements, while the GAAP operating statements recognize these items when measurable and available for financing current obligations.

Reconciliation of the differences between the GAAP and budgetary operating statements for the year ended November 30, 2000 is set forth in "APPENDIX A — GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS (2000 - Notes to Financial Statements — Note 2.)"

**Corporate Fund Statement of Revenues and Expenditures and  
Encumbrances for 2001 and 2002 Budget Information — Budgetary Basis <sup>(1)</sup>**

	2002 Budget	2001 Budget	2001 Actual
<b>REVENUES</b>			
Real Estate Property Tax.....	\$ 12,169,835	\$ 12,169,835	\$ 12,169,835
Fee Offices .....	83,326,175	89,236,126	107,062,681
Inter-Governmental .....	13,897,156	12,850,210	13,965,070
Cigarette Tax.....	3,000,000	3,000,000	2,992,655
Cable T.V. Franchise.....	700,000	700,000	788,314
Miscellaneous.....	7,000,000	4,300,000	6,647,041
Adjustments (2) .....			12,297,586
<b>Total Revenues</b> .....	<u>\$120,093,166</u>	<u>\$122,256,171</u>	<u>\$155,923,182</u>
Fund Balance Available for Appropriation .....	\$ 73,051,572	\$76,594,864	76,594,864
Less: Operating Transfer to County Law Library .....	(2,650,000)	(2,500,000)	(2,500,000)
Advance to Grants Bank Account .....	(10,000,000)	(10,000,000)	
Reserve for Future Obligations .....	0	(1,705,034)	
<b>Total Revenues and Fund Balance Available for Appropriation</b> .....	<u>\$180,494,738</u>	<u>\$184,646,001</u>	<u>\$230,018,046</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>			
Government Management and Supporting Services .....	\$ 83,021,871	\$ 85,478,220	\$71,844,918
Control of Environment .....	2,860,750	2,901,938	2,521,001
Economic and Human Development .....	3,937,090	4,174,837	3,243,149
Assessment and Collection of Taxes .....	55,575,441	55,969,120	52,161,939
Election.....	4,066,748	4,190,907	3,687,070
Transportation .....	31,032,838	31,930,979	28,032,136
<b>Total Expenditures and Encumbrances</b> .....	<u>\$180,494,738</u>	<u>\$184,646,001</u>	<u>\$161,490,213</u>

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Represents the net amount of various items such as earnings on investments, purchase order adjustments, write-off of prior years' taxes and miscellaneous adjustments.

Source: Cook County Comptroller

**Public Safety Fund Statement of Revenues and Expenditures and  
Encumbrances for 2001 and 2002 Budget Information — Budgetary Basis <sup>(1)</sup>**

	2002 Budget	2001 Budget	2001 Actual
<b>REVENUES</b>			
Real Estate Property Tax.....	\$204,280,930	\$204,280,930	\$204,280,930
Personal Property Replacement Tax .....	15,770,500	22,373,857	22,373,857
Fee Offices .....	86,415,300	87,702,000	93,528,599
Reimbursement from Others.....	25,647,556	24,672,963	40,105,459
Motor Fuel Tax Fund Grant .....	32,000,000	27,000,000	27,000,000
Retail Sale of Motor Vehicles .....	3,500,000	3,800,000	4,325,123
Retailers' and Service Occupation Tax.....	4,100,000	4,088,500	4,568,735
Wheel Tax .....	750,000	700,000	977,586
State Income Derivative Share .....	8,500,000	8,490,600	9,033,025
County Sales Tax.....	214,400,000	223,856,200	236,947,245
County Use Tax.....	52,000,000	52,000,000	56,794,916
Alcoholic Beverage Tax.....	24,000,000	24,000,000	24,961,811
Cigarette Tax.....	34,000,000	34,000,000	33,989,380
Gasoline Tax/Diesel Tax.....	104,000,000	105,000,000	106,068,377
Amusement Tax .....	10,500,000	12,000,000	12,674,786
Parking Lot and Garage Operations Tax.....	31,000,000	19,000,000	27,943,324
Bail Bond Forfeiture.....	1,100,000	1,100,000	1,643,857
Off Track Betting Commission.....	3,500,000	3,625,750	3,104,311
Miscellaneous.....	16,831,628	6,095,313	10,255,490
Adjustments <sup>(2)</sup> .....			18,427,349
<b>Total Revenues</b> .....	<u>\$872,295,914</u>	<u>\$863,786,113</u>	<u>\$939,004,160</u>
Estimated Fund Balance Available for Appropriation .....	96,815,167	91,567,089	91,567,089
Less: Operating Transfer to Self-Insurance.....			
Less: Reserve for Future Obligations.....		(1,530,275)	
<b>Total Revenues and Fund Balance Available for Appropriation.....</b>	<u>\$969,111,081</u>	<u>\$953,822,927</u>	<u>\$1,030,571,249</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>			
Government Management and Support Services .....	\$ 51,530,305	\$ 50,519,889	\$ 49,971,788
Judicial Administration.....	1,767,522	1,805,479	1,597,504
Sheriff.....	377,622,514	363,001,681	353,260,976
Cermak Health Service.....	38,226,405	38,067,247	37,145,642
State's Attorney .....	100,414,372	101,095,505	99,363,716
Medical Examiner .....	7,989,488	7,990,695	7,332,966
Public Defender.....	57,034,226	56,402,974	51,306,827
Chief Judge.....	176,898,431	178,921,148	178,655,928
Clerk of Circuit Court .....	89,704,207	87,592,581	82,804,544
Public Administrator.....	1,055,427	1,032,389	1,022,894
Juvenile Detention Center.....	27,844,783	28,863,533	26,866,569
Supporting Services.....	1,096,165	1,075,958	1,006,300
Public Safety/Judicial Coordination.....	558,705	575,216	455,589
Fixed Charges.....	37,368,531	36,878,632	28,646,694
<b>Total Expenditures and Encumbrances</b> .....	<u>\$969,111,081</u>	<u>\$953,822,927</u>	<u>\$ 919,437,937</u>

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Represents the net amount of various items such as earnings on investment, purchase order adjustments, write-off of prior years' taxes and miscellaneous adjustments.

Source: Cook County Comptroller



**Health Fund Statement of Revenues and Expenditures  
and Encumbrances for 2001 and 2002 Budget Information — Budgetary Basis <sup>(1)</sup>**

	2002 Budget	2001 Budget	2001 Actual
<b>REVENUES</b>			
Real Estate Property Tax.....	\$158,938,125	\$185,423,991	\$185,423,991
Patient Fees .....	451,655,551	413,535,925	413,735,589
County Sales Tax.....	47,600,000	38,600,000	40,857,317
Cigarette Tax.....	10,000,000	10,000,000	9,998,535
Miscellaneous.....	4,607,000	4,434,000	7,986,724
Adjustments <sup>(2)</sup> .....			22,487,151
<b>Total Revenues</b> .....	<u>\$672,800,676</u>	<u>\$651,993,916</u>	<u>\$680,489,307</u>
Estimated Fund Balance Available for Appropriation .....	63,938,607	75,698,984	75,698,984
Less: Operating Transfer to Self-Insurance.....			
Reserve for Future Obligations .....	0	(5,741,749)	
<b>Total Revenues and Fund Balance Available for Appropriation</b> .....	<u>\$736,739,283</u>	<u>\$721,951,151</u>	<u>\$756,188,291</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>			
Office of Chief Administrative Officer for Health Services .....	\$ 3,344,152	\$ 3,296,388	\$ 2,689,193
Provident Hospital .....	82,321,362	79,555,555	80,059,424
South Suburban Ambulatory Network Services Ambulatory/ Community Health.....	106,765,953	100,660,746	99,009,006
Department of Public Health.....	17,339,981	16,946,702	15,781,043
Stroger Hospital of Cook County .....	407,378,605	406,927,824	406,614,175
Oak Forest Hospital .....	117,751,443	113,766,041	109,472,279
Fixed Charges and Special Purpose Appropriations .....	1,837,787	797,895	1,068,970
<b>Total Expenditures and Encumbrances</b> .....	<u>\$736,739,283</u>	<u>\$721,951,151</u>	<u>\$714,694,090</u>

(1) Unaudited.

(2) Represents the net amount of various items such as earnings on investments, purchase order adjustments, write-off of prior years' taxes and miscellaneous adjustments.

Source: Cook County Comptroller

## DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

### Discussion of Financial Operations (Budgetary Basis)

The financial information on which this discussion is based was prepared on the budgetary basis of accounting. The budgetary basis of accounting is different in several respects from GAAP. The financial information presented herein was prepared based on records maintained by the County Comptroller and this presentation has not been examined by the County's external auditors. The 2002 Budget was adopted by the County Board on December 4, 2001. The County does not budget an ending fund balance. Any balance at the beginning of a year is appropriated as a revenue source in that year's budget; unexpended appropriations or revenues in excess of budget provide the ending fund balance. The County anticipates maintaining a fund balance in the operating funds of approximately 5% of expenditures.

The introduction of the County sales tax in 1992 and the implementation of several additional revenue sources have alleviated some of the reliance of the operating funds on the property tax levy.

Certain revenue sources, such as the property tax, patient fees and court fees, are required to be expended in the respective funds. The sales tax, however, may be allocated to any of the operating funds. From year to year the County may change that allocation.

The County Ordinance limits the increase in the property tax levy for the operating funds to the lesser of 5% or the percentage increase in the Consumer Price Index. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — State and County Limitation Laws”.

## **Principal Sources of Revenues and Expenditures**

In the County’s Budget for its fiscal year ending November 30, 2002, the principal sources of revenues for the County are: fees (approximately 23.4%); property taxes including PPRT (approximately 26.3%); home rule taxes (approximately 19.5%); and intergovernmental transfers (approximately 14.4%). Corporate Fund appropriations account for approximately 6.6% of the County’s 2002 Budget, Health Fund appropriations account for approximately 26.9% of the County’s 2002 Budget, and Public Safety Fund appropriations account for approximately 35.3% of the County’s 2002 Budget. Other major appropriations are for Bond and Interest (approximately 5.3%), Employees’ Annuity and Benefits (approximately 6.6%), and Capital Improvements (approximately 9.6%).

## **Major Fund Revenues and Expenditures: 2001 Actual through 2002 Budget**

### **Corporate Fund**

The major Corporate Fund functions include government management and support services; the assessment of real property; the levy, extension and collection of taxes; the recording of real property transfers and transportation.

**2002 Budget.** Expenditures are projected to decline \$4.2 million, or 2.3% in fiscal year 2002. Corporate Fund major revenue sources are projected to be fee revenues (46.6%), property tax levy (6.7%), home rule taxes (1.7%) and intergovernmental revenues (7.7%).

**2001 Budget.** Expenditures were projected to increase \$8.9 million, or 5.1% in fiscal year 2001. Personal Services, as a result of provisions for collective bargaining agreements, is the main source of this increase. Corporate Fund major revenue sources are projected to be fee revenues (48.7%), property tax levy (6.6%), home rule taxes (1.6%) and intergovernmental revenues (7.0%).

**2001 Actual (Unaudited).** As compared to fiscal year 2000, expenditures increased \$5.2 million, or 3.3%, in fiscal year 2001. Revenues increased \$3.6 million, or 2.8%, due to increases in fees, and home rule taxes.

### **Public Safety Fund**

The major Public Safety Fund functions relate to the protection of persons and property. The major expenditures include the Sheriff’s Office, which includes operation of the County Jail, the Circuit Courts and the State’s Attorney’s Office.

**2002 Budget.** Expenditures are projected to increase \$15.3 million, or 1.6% in fiscal year 2002. This increase is necessitated by the County’s continuing commitment in ensuring justice and the safety of its citizens with additional positions being made available to support the Office of the Chief Judge and the Clerk of the Circuit Court. Public Safety fund major revenue sources are projected to be fee revenues (8.9%), property tax levy (21.1%), home rule taxes (48.9%) and intergovernmental revenues (9.2%).

**2001 Budget.** Expenditures were projected to increase \$48.2 million, or 5.3% in fiscal year 2001. This increase was necessitated by the County's continuing commitment to the safety of its citizens with additional positions being made available to support the Sheriff's, Chief Judge and the Clerk of the Circuit Court Offices. Public Safety fund major revenue sources are projected to be fee revenues (9.2%) property tax levy (21.4%), home rule taxes (49.7%) and intergovernmental revenues (9.5%).

**2001 Actual (Unaudited).** As compared to fiscal year 2000, expenditures increased \$45.7 million, or 5.2% in fiscal year 2001 for all Public Safety Fund functions. Revenues increased \$54.2 million, or 8.2%, due to increases in fees, home rule taxes and intergovernmental revenues.

### **Health Fund**

The major Health Fund functions relate to providing health care for the citizens of the County. Major expenses include the operations of Stroger Hospital of Cook County, Provident Hospital of Cook County and Oak Forest Hospital.

**2002 Budget.** Expenditures are projected to increase \$14.8 million, or 2.0% in fiscal year 2002. This reflects Health expenditures are increasing nationally, although this increase reflects the provisions for collective bargaining agreements, it also reflects the continued downsizing at Stroger Hospital of Cook County. County Health Fund major revenue sources are projected to be fee revenues (61.3%), property tax levy (21.6%) and home rule taxes (7.8%).

**2001 Budget.** Expenditures were projected to increase \$30.4 million, or 4.4% in fiscal year 2001. This reflects Health expenditures are increasing nationally, although this increase reflects the provisions for collective bargaining agreements, it also reflects the continued downsizing at Stroger Hospital of Cook County. County Health Fund major revenue sources are projected to be fee revenues (57.3%), property tax levy (25.7%) and home rule taxes (6.7%).

**2001 Actual (Unaudited).** As compared to fiscal year 2000, expenditures increased \$35.1 million, or 5.2%, in fiscal year 2001. Revenues decreased by \$17.9 million, or 3.7%, due to decreases in patient's fees.

### **Self-Insurance**

The County self-insures all risks, including workers' compensation, general, automobile insurance and other liability. The County is a defendant in lawsuits alleging medical malpractice, work-related injuries, highway cases and other claims in which it is involved. Cases related to these areas are in various stages of the legal process. The County has purchased insurance for excess coverage against medical malpractice claims.

The County engages an external actuary to provide an actuarial estimate of its liabilities for self-insured expenses. The liability recorded reflects a 6% discount factor. If the discounted estimate were not used, the ultimate liability for the self-insured programs would be approximately \$67 million higher than the amount recorded in the financial statements at November 30, 2000.

The County funds its self-insurance liabilities, including those of the Health Facilities, on a current basis and has the authority to finance such liabilities through the levy of property taxes. As described above under the heading "PLAN OF FINANCE", certain proceeds of the Series 2002A Taxable Bonds will be used for the Self-Insurance Purposes. While it is difficult to estimate the timing or amount of expenditures, management of the County believes that the self-insurance liabilities recorded at November 30, 2000, together with the proceeds of the Series 2002A Taxable Bonds being issued for the Self-Insurance Purposes, are adequate to provide for potential losses resulting from medical malpractice, workers' compensation and general liability claims including incurred but not reported claims. The self-insurance liabilities recorded are based on facts known at the current time, however, the discovery of additional information concerning specific cases could affect estimated costs in the future.

For the fiscal year ended November 30, 2000, amounts charged by the self insurance fund to other County funds for insurance and claims payouts are reported as revenues to the self insurance fund and expenditure/expenses of the fund charged.

The following table describes the activity during fiscal years 1999 and 2000 for the primary classifications of liabilities (in millions):

Type	Balance at November 30, 1998	Insurance and Claims Payouts	Expense, Net of Actuarial Adjustments	Balance at November 30, 1999	Insurance and Claims Payouts	Expense, Net of Actuarial Adjustments	Balance at November 30, 2000
Medical Malpractice .....	\$136.7	\$(19.8)	\$25.4	\$142.3	\$(36.9)	\$36.2	\$141.6
Workers Compensation.....	38.7	(9.3)	10.2	39.6	(9.8)	8.0	37.8
General .....	2.3	(0.5)	6.2	8.0	(0.8)	(3.3)	3.9
Automobile.....	2.2	(0.6)	1.4	3.0	(0.4)	(1.3)	1.3
Claim Expense Reserves .....	5.6	0	(3.9)	1.7	0	6.7	8.4
Other .....	<u>54.9</u>	<u>(18.0)</u>	<u>2.4</u>	<u>39.3</u>	<u>(14.2)</u>	<u>16.6</u>	<u>41.7</u>
Total Internal Service Fund Claims Liability .....	<u>\$240.4</u>	<u>\$(48.2)</u>	<u>\$41.7</u>	<u>\$233.9</u>	<u>\$(62.1)</u>	<u>\$62.9</u>	<u>\$234.7</u>

Source: 2000 County's Comprehensive Annual Financial Report.

## **BUDGETARY PROCEDURES AND INFORMATION**

The fiscal year of the County begins on December 1. The County, by ordinance, requires that the Annual Appropriation Bill must be approved prior to commencement of the fiscal year. The Annual Appropriation Bill for fiscal year 2002 was adopted by the County Board on December 4, 2001.

The development of the annual budget begins with each department submitting a detailed request for appropriations. Meetings are then held by the President of the County Board, Chief Financial Officer and Budget Director with each department to review the requests. Based on department requests and available resources, an Executive Budget is prepared for the President of the County Board by the Chief Financial Officer, in conjunction with the Budget Director.

Concurrently with this process the County Comptroller prepares and submits a report of estimates of revenues and other available resources to the County Board, prior to submission of the Executive Budget.

The Executive Budget, as approved by the President of the County Board, is submitted to the Committee on Finance, which in turn holds hearings involving each department. The Committee on Finance prepares the Annual Appropriation Bill in tentative form, which is made available for public inspection for at least ten days prior to final action. Public hearings on the tentative Annual Appropriation Bill are then held. Amendments to the tentative Annual Appropriation Bill are then approved by the Committee on Finance. Subsequently, the Executive Budget in the form of the Annual Appropriation Bill is approved and adopted by the County Board. For a summary of budgetary procedures of the County, see "APPENDIX A — GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS (2000) — Notes to Financial Statements."

## Summary of Appropriations and Expenditures for Fiscal Year 2001 and Comparative Appropriations for Fiscal Year 2002

The table below sets forth the funds appropriated in the Annual Appropriation Bills of the County for fiscal years 2001 and 2002 and actual expenditures for fiscal year 2001.

Fund	2002 Budget Appropriations	2001 Appropriations	2001 Expenditures <sup>(1)</sup>
Corporate .....	\$ 180,494,738	\$ 184,646,001	\$ 161,490,213
Public Safety .....	969,111,081	953,822,927	919,437,937
Health .....	736,739,283	721,951,151	714,694,090
Election .....	26,364,841	16,400,586	14,148,894
Bond and Interest .....	144,679,698	144,656,118	144,656,118
Employees' Annuity and Benefit .....	179,603,000	160,702,000	160,702,000
Animal Control .....	2,027,565	2,011,819	1,668,326
Law Library .....	5,298,117	5,840,445	5,683,917
Clerk of the Circuit Court Automation .....	6,839,159	6,652,702	6,106,481
Clerk of the Circuit Court Document Storage .....	7,991,622	8,327,881	6,727,828
Clerk of the Circuit Court Dispute Resolution .....	200,000	200,000	200,000
Recorder's Document Storage .....	3,755,851	4,052,589	3,782,883
County Clerk Automation .....	997,736	857,185	761,435
Intergovernmental Agreement/E.T.S.B. ....	1,028,017	776,457	752,088
Self Insurance .....	57,181,608	54,406,790	51,676,781
Managed Care Support .....	2,338,977	3,581,219	1,239,891
Adult Probation/Probation Services Fee .....	4,567,717	4,417,710	1,377,619
Social Services/Probation and Court Fee .....	2,433,180	2,058,378	1,844,306
Juvenile Probation – Supplementary Officers .....	2,951,903	2,178,782	2,625,890
Sheriff's Youthful Offender Alcohol/Drug Education .....	17,812	19,314	8,358
Sheriff's Ford Heights Public Housing .....	0	175,000	81,932
Sheriff's Chicago Heights Public Housing .....	0	175,000	95,563
Treasurer Tax Sales Automation .....	2,986,611	782,028	746,961
Motor Fuel Tax Illinois FIRST .....	5,205,665	3,972,019	1,766,488
CC Lead Poisoning Prevention .....	3,415,862	848,170	52,901
Federal, State and Private Grants .....	119,334,263	129,130,416	129,130,416
Allowance for Uncollected Taxes .....	12,425,373	12,936,352	12,936,352
<b>Subtotals .....</b>	<b>\$2,477,989,679</b>	<b>\$2,425,579,039</b>	<b>\$2,344,395,668</b>
Capital Improvements Program .....	264,334,629 <sup>(2)</sup>	291,563,045 <sup>(2)</sup>	291,563,045 <sup>(2)</sup>
<b>Totals .....</b>	<b>\$2,742,324,308</b>	<b>\$2,717,142,084</b>	<b>\$2,635,958,713</b>

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> This amount includes moneys allocated from Motor Fuel, Highway and Special Revenue Funds that are used to pay for specified capital projects.

Source: Cook County Comptroller

## Summary of Budget Appropriations by Major Purposes for Fiscal Year 2002

Funds	General Expense <sup>(1)</sup>	Capital Outlay <sup>(2)</sup>	Debt Service <sup>(3)</sup>	Pension Fund	Allowance for Uncollected Taxes	Total Appropriations
Corporate.....	\$ 180,453,754	\$ 40,984			\$ 376,387	\$ 180,871,125
Public Safety .....	969,111,081				6,317,967	975,429,048
Health .....	736,739,283				4,915,612	741,654,895
Election .....	26,314,841	50,000			815,407	27,180,248
Bond and Interest .....			\$144,679,698			144,679,698
County Employee's Annuity and Benefit ....				\$179,603,000		179,603,000
Animal Control.....	1,932,565	95,000				2,027,565
Law Library .....	5,249,011	49,106				5,298,117
Clerk of the Circuit Court						
Automation .....	6,508,369	330,800				6,839,169
Document Storage .....	7,688,990	302,632				7,991,622
Dispute Resolution .....	200,000					200,000
Recorder's Document Storage .....	1,771,940	1,983,911				3,755,851
County Clerk Automation .....	896,736	101,000				997,736
Intergovernmental Agreement/E.T.S.B. ....	1,028,017					1,028,017
Self Insurance .....	57,181,608					57,181,608
Managed Care Support .....	2,338,977					2,338,977
Adult Probation/Probation Services Fee ....	4,275,948	291,769				4,567,717
Social Casework Services/Probation and						
Court Fee .....	2,322,680	110,500				2,433,180
Sheriff's Youthful Offender Alcohol/						
Drug Education .....	17,812					17,812
CC Lead Poisoning Prevention.....	3,315,852	100,000				3,415,862
Juvenile Probation Supplementary Officers.	2,951,903					2,951,903
Treasurer Tax Sales Automation.....	1,071,215	1,915,396				2,986,611
Motor Fuel Tax Illinois First .....	5,205,665					5,205,665
Federal, State and Private Grants.....	116,210,599	3,123,664				119,334,263
<b>Subtotal.....</b>	<b>\$2,132,786,846</b>	<b>\$8,494,762</b>	<b>\$144,679,698</b>	<b>\$179,603,000</b>	<b>\$12,425,373</b>	<b>\$2,477,989,679</b>
Capital Improvements Program (5) .....		264,334,629				264,334,629
<b>Total – Current.....</b>	<b>\$2,132,786,846</b>	<b>\$272,829,391</b>	<b>\$144,679,698</b>	<b>\$179,603,000</b>	<b>\$12,425,373</b>	<b>\$2,742,324,308</b>

<sup>(1)</sup> General expense includes appropriations for expenditures for operation, maintenance, ordinary repairs and miscellaneous items of expense, and includes some amounts classifiable as capital outlay such as engineering and other service expenditures on construction projects. Also included are inter-fund appropriations.

<sup>(2)</sup> Capital outlay includes appropriations for expenditures for purchase of new and replacement equipment, permanent improvements including rehabilitation and replacement, purchase of land and expenditures incidental to the acquisition of land.

<sup>(3)</sup> Debt service includes appropriations for redemption of debt and interest on debt, and for required reserves, and County bond and interest projected for 2002

<sup>(4)</sup> Pension funds appropriations represent the gross amounts of general property taxes to be levied for the County's contribution to the pension funds without any deduction for loss in the collection of taxes.

<sup>(5)</sup> Capital improvements program appropriations reflect the 11/30/01 estimated unencumbered balance and the 2002 capital improvements program appropriations and the projected 2002 expenditures.

Source: Cook County Comptroller

## Summary of Estimated Budget Revenues by Major Sources for Fiscal Year 2002

Funds	Property Tax Levy <sup>(1)</sup>	Home Rule Taxes <sup>(2)</sup>	Fees <sup>(3)</sup>	Inter- Governmental <sup>(4)</sup>	Other Revenues <sup>(5)</sup>	Total Revenue	Estimated Fund Balance <sup>(6)</sup>	Total
2002 Corporate Revenue.....	\$ 12,169,835	\$ 3,000,000	\$ 84,026,175	\$ 13,897,156	\$ 7,000,000	\$ 120,093,166	\$ 60,401,572	\$ 180,494,738
Allowance for Uncollected Taxes .....	376,387					376,387		376,387
2002 Public Safety Revenue .....	204,280,930	474,150,000	86,415,300	89,518,056	17,931,628	872,295,914	96,815,167	969,111,081
Allowance for Uncollected Taxes .....	6,317,967					6,317,967		6,317,967
2002 Health Revenue .....	158,938,125	57,600,000	451,655,551		4,607,000	672,800,676	63,938,607	736,739,283
Allowance for Uncollected Taxes .....	4,915,612					4,915,612		4,915,612
2002 Election Revenue.....	26,364,841					26,364,841		26,364,841
Allowance for Uncollected Taxes .....	815,407					815,407		815,407
Bond and Interest .....	144,679,698					144,679,698		144,679,698
Employee's Annuity and Benefit.....	161,624,740			17,978,260		179,603,000		179,603,000
Animal Control.....			2,000,000			2,000,000	27,565	2,027,565
Law Library .....			2,516,000	2,650,000		5,166,000	132,117	5,298,117
Circuit Court Automation.....			3,900,000	2,500,000		6,400,000	439,159	6,839,159
Circuit Court Document Storage .....			3,700,000			3,700,000	4,291,622	7,991,622
Circuit Dispute Resolution.....			200,000			200,000		200,000
Recorder's Document Storage .....			3,100,000			3,100,000	655,851	3,755,851
County Clerk Automation.....			700,000			700,000	297,736	997,736
Intergovernmental Agreement/E.T.S.B.....				1,028,017		1,028,017		1,028,017
Self Insurance.....				57,181,608		57,181,608		57,181,608
Managed Care Support .....							2,338,977	2,338,977
Adult Probation/Probation Services Fee .....			1,600,000			1,600,000	2,967,717	4,567,717
Social Services/Probation and Court Fee.....			1,950,000			1,950,000	483,180	2,433,180
Sheriff's Youthful Offender Alcohol/Drug.....				17,812		17,812		17,812
CC Lead Poisoning Prevention Fund.....				3,415,862		3,415,862		3,415,862
Juvenile Probation Supplementary Officers ....				2,951,903		2,951,903		2,951,903
Treasurer Tax Sales Automation.....			800,000			800,000	2,186,611	2,986,611
Motor Fuel Tax Illinois FIRST .....				5,205,665		5,205,665		5,205,665
Capital Improvements.....				78,725,000	185,609,629	264,334,629		264,334,629
Federal, State and Private Grants.....				119,334,263		119,334,263		119,334,263
<b>PROJECTED — TOTAL.....</b>	<b>\$720,483,542</b>	<b>\$534,750,000</b>	<b>\$642,563,026</b>	<b>\$394,403,602</b>	<b>\$215,148,257</b>	<b>\$2,507,348,427</b>	<b>\$234,975,881</b>	<b>\$2,742,324,308</b>

(1) Property tax levy includes allowance for uncollected taxes.

(2) Other home rule taxes include alcoholic beverage tax, cigarette tax, gas/diesel fuel tax, wheel tax, retail sale of motor vehicles, Cook County sales tax (.75%) and use tax and amusement tax and County parking lot and garage operations tax.

(3) Fees include fees from County offices, patient fees and cable television franchise tax.

(4) Inter-governmental includes motor fuel tax, off-track betting commissions, personal property replacement tax, retailers' and services occupation tax, state income derivative share grants and reimbursements from other governments. In Fiscal Year 2002, in addition to the proceeds of the Series 2002A Bonds described herein, the self insurance fund may be financed from a combination of long term debt, transfers from working cash, settlement of lawsuits, or other available resources.

(5) Other revenues include bail bond forfeitures, bond proceeds (capital improvements) and miscellaneous.

(6) Fund balance available for appropriation.

Source: Cook County Comptroller



## **LITIGATION**

The County, like other large units of state and local government, is involved in litigation on matters relating principally to claims arising from contracts, personal injury, property damage, tax claims and other matters. See “ACCOUNTING AND FINANCIAL INFORMATION – Self-Insurance.” However, there is no litigation pending, or, to the best of the County’s knowledge, threatened, seeking to restrain, enjoin or adversely affect the issuance or delivery of the Series 2002A Bonds or in any way contesting the validity or enforceability of the Series 2002A Bonds or the collection, pledge or application of the County’s full faith, credit and taxing power for their payment.

## **RATINGS**

Contingent upon the delivery by the Initial Liquidity Provider of the Initial Liquidity Facility, as described under the caption “LIQUIDITY FACILITIES – Initial Liquidity Facility,” the Series 2002A Bonds will be rated “AA/F1+” by Fitch Ratings, “Aa2/VMIG 1” by Moody’s Investors Service and “AA-/A-1+” by Standard and Poor’s, a Division of the McGraw-Hill Companies, Inc. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody’s Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor’s, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2002A Bonds.

## **TAX MATTERS**

Interest on the Series 2002A Bonds is includible in gross income for federal income tax purposes. Purchasers of the Series 2002A Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2002A Bonds in gross income for federal income tax purposes or regarding any pending or proposed federal tax legislation.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Series 2002A Bonds are subject to the approving opinion of Chapman and Cutler, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, who have been retained by the County to act as Co-Bond Counsel. The proposed form of Co-Bond Counsel opinion is included herein as Appendix C. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Altheimer & Gray, Chicago, Illinois and William P. Tuggle, Esq., Chicago, Illinois, for the Initial Liquidity Provider by its special counsel, Winston & Strawn, New York, New York, and its special French counsel.

## **CO-FINANCIAL ADVISORS**

The County has engaged A.C. Advisory, Inc. and Davis Financial Inc., as co-financial advisors in connection with the authorization, issuance and sale of the Series 2002A Bonds. Under the terms of their engagements, the financial advisors are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **UNDERWRITING**

The Underwriters set forth on the cover page of this Official Statement have agreed to purchase the Series 2002A Bonds at a price of \$123,490,500 (representing an underwriters' discount of \$309,500). The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2002A Bonds to the public. The obligations of the Underwriters to accept delivery of the Series 2002A Bonds are subject to various conditions of the Series 2002A Bond Purchase Agreement with respect to the Series 2002A Bonds, but the Underwriters are obligated to purchase all of the Series 2002A Bonds if they purchase any of the Series 2002A Bonds.

## **SECONDARY MARKET DISCLOSURE**

Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12") under the Securities Act of 1934 generally requires that "obligated persons," such as the County and certain other parties, provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notices of certain specified events that could affect the credit underlying the payment obligations of municipal securities. Offerings of municipal securities that are issued in minimum denominations of \$100,000 and are subject to purchase by the issuer on the demand of the holder, such as will be the case with respect to the Series 2002A Bonds while bearing interest in the Weekly Rate Mode, in the CP Rate Mode or having an Adjustable Rate Period of not more than 270 days in duration, are exempt from these requirements. If the Series 2002A Bonds are remarketed in the Adjustable Rate Mode having an Adjustable Rate Period of more than 270 days in duration, the County and any other "obligated persons" may in the future become subject to these continuing disclosure obligations of Rule 15c2-12.

The County has entered into a continuing disclosure undertaking pursuant to Rule 15c2-12 with respect to the Series 2002C Bonds.

## **CONCLUSION**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2002A Bonds, the security for the payment or purchase of the Series 2002A Bonds and the rights and obligations of the registered owners thereof. Such documents may be examined, or copies thereof will be furnished, upon request to the Underwriters.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the registered owners of the Series 2002A Bonds.

## **CERTIFICATION AS TO OFFICIAL STATEMENT**

At the time of delivery of the Series 2002A Bonds, the County will furnish a certificate executed by the Chief Financial Officer stating that to the best of his knowledge, after reasonable investigation, this Official Statement did not (as of its date) and does not (at the date of delivery of the Series 2002A Bonds) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in it, in the light of the circumstances under which they were made, not misleading.

This Official Statement has been duly executed and delivered by the following officer on behalf of the County.

**THE COUNTY OF COOK, ILLINOIS**

By: /s/ Thomas J. Glaser  
Chief Financial Officer

March 26, 2002

## **APPENDIX A**

### **GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS (2000)**



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Commissioners  
of Cook County, Illinois:

We have audited the accompanying general purpose financial statements of **COOK COUNTY, ILLINOIS** (the "County"), as of and for the fiscal year ended November 30, 2000. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Health Facilities, the Forest Preserve District of Cook County and the County's and the Forest Preserve District's Employees' and Officers' Annuity and Benefit Funds and the Emergency Telephone System which represent 100% and 100%, respectively, of the asset and revenues of the enterprise funds, 9% and 8%, respectively, of the assets and revenues of the special revenue funds, 4% and 3%, respectively, of the assets and revenues of the debt service funds, 12% and 21%, respectively, of the assets and revenues of the capital projects funds, 97% and 39%, respectively, of the assets and revenues of the trust funds, 1% of the assets of the agency funds and 3% and 2%, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts audited by other auditors included for the enterprise fund, special revenue funds, debt service funds, capital project funds, the trust and agency funds and the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Cook County, Illinois, as of November 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and discretely presented component units for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Required Supplementary Information on page 52 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Arthur Andersen LLP

Chicago, Illinois  
May 25, 2001

**COOK COUNTY, ILLINOIS**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS**  
**November 30, 2000**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Primary Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
<b>ASSETS:</b>												
Cash and investments	\$ 116,037,967	\$ 238,740,210	\$ 89,039,431	\$ 8,264,192	\$ 100,306,078	\$ -	\$ 6,236,870,484	\$ -	\$ -	\$ 6,789,258,362	\$ 68,080,287	\$ 6,857,338,649
Cash and investments with trustees	-	-	-	84,408,175	-	-	-	-	-	84,408,175	13,471,134	97,879,309
Cash and investments with paying and escrow agents and trustees	-	-	42,544	-	-	-	-	-	-	42,544	-	42,544
Taxes receivable												
(net of allowance for loss)-												
Tax levy-current year	207,981,060	187,098,912	150,471,168	5,350,577	185,423,991	-	158,671,939	-	-	894,997,647	24,966,000	919,963,647
Tax levy - prior year	1,302,768	1,234,477	2,735,867	-	1,413,585	-	-	-	-	6,686,697	-	6,686,697
Accrued interest receivable	12,386	360,582	695,256	1,644,249	-	-	24,361,565	-	-	27,074,038	-	27,074,038
Accounts receivable-												
Due from others	2,392,183	266,033	-	-	6,691,674	-	7,281,549	-	-	16,631,439	8,177,256	24,808,695
Due from other governments	58,129,771	36,234,236	-	-	8,284,088	-	-	-	-	102,648,095	-	102,648,095
Due from other funds	52,016,285	23,428,125	3,205,693	82,185,636	10,367,188	-	11,806,764	-	-	183,009,691	-	183,009,691
Patient receivables, net of allowance for doubtful accounts	-	-	-	-	109,650,567	-	-	-	-	109,650,567	-	109,650,567
Accrued revenue under secondary interagency agreement	-	-	-	-	32,500,000	-	-	-	-	32,500,000	-	32,500,000
Inventories and other assets	-	-	-	-	12,645,192	-	1,115,599	-	-	13,760,791	3,468,000	17,228,791
Loans receivable, net	-	19,186,149	-	-	-	-	-	-	-	19,186,149	-	19,186,149
Other receivables	-	-	-	-	-	-	-	-	-	-	2,834,011	2,834,011
Property and equipment	-	-	-	-	562,337,577	-	-	1,466,500,566	-	2,028,838,143	200,856,504	2,229,694,647
Less-Accumulated depreciation	-	-	-	-	(412,354,737)	-	-	-	-	(412,354,737)	(73,619,222)	(485,973,959)
Construction in progress	-	-	-	-	282,207,397	-	-	330,651,169	-	612,858,566	-	612,858,566
Amount available-												
General obligation bonds	-	-	-	-	-	-	-	-	97,385,624	97,385,624	-	97,385,624
Amount to be provided-												
General obligation bonds	-	-	-	-	-	-	-	-	1,702,604,376	1,702,604,376	-	1,702,604,376
General obligation variable rate demand bonds	-	-	-	-	-	-	-	-	-	110,500,000	-	110,500,000
Property tax objections	-	-	-	-	-	-	-	-	17,896,956	17,896,956	-	17,896,956
Tort liability	-	-	-	-	-	-	-	-	1,090,000	1,090,000	-	1,090,000
Compensated absences	-	-	-	-	-	-	-	-	4,068,569	4,068,569	-	4,068,569
<b>Total assets</b>	<b>\$ 437,872,420</b>	<b>\$ 506,548,724</b>	<b>\$ 246,189,959</b>	<b>\$ 181,852,829</b>	<b>\$ 899,472,600</b>	<b>\$ -</b>	<b>\$ 6,440,107,900</b>	<b>\$ 1,797,151,735</b>	<b>\$ 1,933,545,525</b>	<b>\$ 12,442,741,692</b>	<b>\$ 248,233,970</b>	<b>\$ 12,690,975,662</b>

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS**  
**November 30, 2000**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Primary Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Fixed Assets	Long Term Obligations			
<b>LIABILITIES:</b>												
Accounts payable	\$ 19,075,374	\$ 18,781,110	\$ -	\$ 48,381,250	\$ 25,942,802	\$ 4,895,131	\$3,322,653	\$ -	\$ -	\$ 120,398,320	\$ 6,023,033	\$ 126,421,353
Accrued salaries payable	25,371,961	2,983,148	-	-	15,714,837	-	-	-	-	44,069,946	1,772,118	45,842,064
Accrued vacation leave	33,185,740	491,217	-	-	31,732,661	-	-	-	-	65,409,618	-	65,409,618
Accrued health claims	-	-	-	-	1,554,016	-	-	-	-	1,554,016	-	1,554,016
Amounts held for outstanding warrants	2,317,335	-	-	-	-	-	-	-	-	2,317,335	-	2,317,335
Self-insurance claims	-	-	-	-	-	234,706,471	-	-	-	234,706,471	-	234,706,471
Due to other funds	3,364,484	46,196,599	85,940	96,715,000	-	11,868,769	25,487,159	-	-	183,717,951	-	183,717,951
Due to other governments	-	1,009,249	-	-	-	-	261,839,328	-	-	262,848,577	286,134	263,134,711
Due to employees	-	-	-	-	-	-	1,434,103	-	-	1,434,103	-	1,434,103
Due to others	-	-	-	-	55,377	-	394,485,385	-	-	394,540,762	526,000	395,066,762
Deferred revenue	203,406,604	179,975,931	148,675,851	4,390,846	-	-	-	-	-	536,449,232	23,838,000	560,287,232
Unclaimed escrow deposits	-	-	42,544	-	-	-	-	-	-	42,544	-	42,544
Other liabilities	-	460,346	-	-	126,707	-	-	-	-	587,053	5,576,683	6,163,736
General obligation bonds payable	-	-	-	-	-	-	-	-	1,799,990,000	1,799,990,000	-	1,799,990,000
General obligation variable rate demand bonds payable	-	-	-	-	-	-	-	-	110,500,000	110,500,000	29,360,000	139,860,000
Property tax objections	-	-	-	-	7,105,931	-	-	-	17,896,956	25,002,887	-	25,002,887
Tort liability	-	-	-	-	-	-	-	-	1,090,000	1,090,000	-	1,090,000
Compensated absences	-	-	-	-	-	-	-	-	4,068,569	4,068,569	-	4,068,569
Total liabilities	286,721,498	249,897,600	148,804,335	149,487,096	82,232,331	251,470,371	686,568,628	-	1,933,545,525	3,788,727,384	67,381,968	3,856,109,352
<b>EQUITY AND OTHER CREDITS:</b>												
Investment in general fixed assets	-	-	-	-	-	-	-	1,797,151,735	-	1,797,151,735	-	1,797,151,735
Contributed capital	-	-	-	-	497,054,329	-	-	-	-	497,054,329	-	497,054,329
Retained earnings (deficit)	-	-	-	-	320,185,940	(251,470,371)	-	-	-	68,715,569	5,374,002	74,089,571
Fund Balance—												
Reserved—												
Encumbrances—prior year	5,139,321	233,814	-	-	-	-	-	-	-	5,373,135	-	5,373,135
Encumbrances—current year	19,541,802	63,899,526	-	367,903,953	-	-	-	-	-	451,345,281	-	451,345,281
Employee pensions	-	-	-	-	-	-	5,431,604,221	-	-	5,431,604,221	-	5,431,604,221
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	7,324,000	7,324,000
Permanently restricted	-	-	-	-	-	-	-	-	-	-	7,689,000	7,689,000
Reserve for loans outstanding	-	19,186,149	-	-	-	-	-	-	-	19,186,149	-	19,186,149
Unreserved—												
Designated	-	-	-	-	-	-	-	-	-	-	72,289,000	72,289,000
Undesignated	126,469,799	173,331,635	97,385,624	(335,538,220)	-	-	321,935,051	-	-	383,583,889	88,176,000	471,759,889
Total equity and other credits (deficit)	151,150,922	256,651,124	97,385,624	32,365,733	817,240,269	(251,470,371)	5,753,539,272	1,797,151,735	-	8,654,014,308	180,852,002	8,834,866,310
Total liabilities and fund equity	\$ 437,872,420	\$ 506,548,724	\$ 246,189,959	\$ 181,852,829	\$ 899,472,600	\$ -	\$ 6,440,107,900	\$ 1,797,151,735	\$ 1,933,545,525	\$ 12,442,741,692	\$ 248,233,970	\$ 12,690,975,662

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**For the Year Ended November 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>REVENUES:</b>						
Taxes-						
Property	\$ 212,455,358	\$ 173,054,643	\$ 153,604,460	\$ 4,806,790	\$ -	\$ 543,921,251
Nonproperty	526,685,266	124,578,732	-	-	-	651,263,998
Fees and licenses	180,799,644	23,073,437	-	-	-	203,873,081
Federal government	-	44,284,438	-	-	-	44,284,438
State of Illinois	-	70,368,167	-	-	-	70,368,167
Other governments	-	14,994,964	-	-	-	14,994,964
Investment income	8,436,135	10,584,610	7,866,139	11,165,209	16,596,476	54,648,569
Reimbursements from other governments	29,665,739	-	-	-	-	29,665,739
Miscellaneous	29,981,524	8,547,993	-	7,089,792	-	45,619,309
Total revenues	<u>988,023,666</u>	<u>469,486,984</u>	<u>161,470,599</u>	<u>23,061,791</u>	<u>16,596,476</u>	<u>1,658,639,516</u>
<b>EXPENDITURES:</b>						
Current-						
Government management and supporting services	98,694,025	16,570,336	-	-	-	115,264,361
Corrections	325,744,909	52,517,234	-	-	-	378,262,143
Courts	524,298,348	99,302,066	-	-	-	623,600,414
Control of environment	2,352,646	43,862,068	-	-	-	46,214,714
Assessment and collection of taxes	45,486,301	4,853,748	-	-	-	50,340,049
Election	12,233,611	22,432,599	-	-	-	34,666,210
Economic and human development	3,328,583	47,452,897	-	-	-	50,781,480
Transportation	19,812,672	58,544,330	-	-	-	78,357,002
Enterprise Fund	-	58,633,785	-	-	-	58,633,785
Capital outlay	60,073	3,161,513	-	267,528,116	-	270,749,702
Debt Service-						
Principal retirement	-	-	60,175,000	-	-	60,175,000
Interest and other charges	-	-	99,683,202	4,493,866	-	104,177,068
Amounts incurred in the above accounts for the Enterprise Funds	<u>(8,183,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,183,816)</u>
Total expenditures	<u>1,023,827,352</u>	<u>407,330,576</u>	<u>159,858,202</u>	<u>272,021,982</u>	<u>-</u>	<u>1,863,038,112</u>
Revenues over (under) expenditures	<u>(35,803,686)</u>	<u>62,156,408</u>	<u>1,612,397</u>	<u>(248,960,191)</u>	<u>16,596,476</u>	<u>(204,398,596)</u>

The accompanying notes are an integral part of the financial statements.



**COOK COUNTY, ILLINOIS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**For the Year Ended November 30, 2000**

	<b>Governmental Fund Types</b>				<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>	<b>(Memorandum Only)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	30,518,482	5,325,567	-	1,786,197	-	37,630,246
Operating transfers out	(10,183,816)	(32,501,300)	(1,303,379)	(1,825,567)	-	(45,814,062)
Sale of Land	-	2,900,000	-	-	-	2,900,000
Total other financing sources (uses)	<u>20,334,666</u>	<u>(24,275,733)</u>	<u>(1,303,379)</u>	<u>(39,370)</u>	<u>-</u>	<u>(5,283,816)</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>(15,469,020)</u>	<u>37,880,675</u>	<u>309,018</u>	<u>(248,999,561)</u>	<u>16,596,476</u>	<u>(209,682,412)</u>
<b>FUND BALANCE, November 30, 1999</b>	<u>166,619,942</u>	<u>218,770,449</u>	<u>97,076,606</u>	<u>281,365,294</u>	<u>305,338,575</u>	<u>1,069,170,866</u>
<b>FUND BALANCE, November 30, 2000</b>	<u>\$ 151,150,922</u>	<u>\$ 256,651,124</u>	<u>\$ 97,385,624</u>	<u>\$ 32,365,733</u>	<u>\$ 321,935,051</u>	<u>\$ 859,488,454</u>

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND ENCUMBRANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)**  
**For the Year Ended November 30, 2000**

	General Fund			Budgeted Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>									
Taxes-									
Property	\$ 207,981,060	\$ 208,379,624	\$ 398,564	\$ 191,326,513	\$ 191,326,513	\$ -	\$ 149,345,005	\$ 153,700,780	\$ 4,355,775
Nonproperty	480,005,102	527,409,980	47,404,878	112,688,753	123,258,716	10,569,963	-	-	-
Fees and licenses	175,148,200	186,110,088	10,961,888	19,476,765	23,073,369	3,596,604	-	-	-
State of Illinois	-	-	-	2,318,964	3,881,675	1,562,711	-	-	-
Investment income	-	8,729,191	8,729,191	1,176,994	10,604,874	9,427,880	-	7,741,438	7,741,438
Reimbursements from other governments	24,572,347	30,700,203	6,127,856	-	864,376	864,376	-	-	-
Miscellaneous	11,274,500	24,490,278	13,215,778	12,447,440	8,490,218	(3,957,222)	-	-	-
Total revenues	<u>898,981,209</u>	<u>985,819,364</u>	<u>86,838,155</u>	<u>339,435,429</u>	<u>361,499,741</u>	<u>22,064,312</u>	<u>149,345,005</u>	<u>161,442,218</u>	<u>12,097,213</u>
<b>EXPENDITURES AND ENCUMBRANCES:</b>									
Current-									
Government management and supporting services	124,363,319	112,494,114	11,869,205	16,720,041	16,092,205	627,836	-	-	-
Correction	325,284,864	322,803,962	2,480,902	36,901,280	33,728,110	3,173,170	-	-	-
Courts	532,476,382	503,669,751	28,806,631	72,359,495	66,298,716	6,060,779	-	-	-
Control of environment	2,526,776	2,335,462	191,314	42,606,715	41,647,846	958,869	-	-	-
Assessment and collection of taxes	48,196,764	45,390,636	2,806,128	4,898,781	4,871,801	26,980	-	-	-
Election	12,762,532	12,431,151	331,381	25,897,728	23,269,346	2,628,382	-	-	-
Economic and human development	3,678,774	3,341,479	337,295	23,470	23,470	-	-	-	-
Transportation	23,643,232	19,251,398	4,391,834	147,827,627	55,190,556	92,637,071	-	-	-
Enterprise Fund	-	-	-	58,966,108	58,966,108	-	-	-	-
Capital outlay	-	-	-	10,107,875	3,156,276	6,951,599	-	-	-
Debt Service-									
Principal retirement	-	-	-	-	-	-	56,657,500	57,660,476	(1,002,976)
Interest and other charges	-	-	-	-	-	-	92,687,505	95,697,392	(3,009,887)
Total expenditures and encumbrances	<u>1,072,932,643</u>	<u>1,021,717,953</u>	<u>51,214,690</u>	<u>416,309,120</u>	<u>303,244,434</u>	<u>113,064,686</u>	<u>149,345,005</u>	<u>153,357,868</u>	<u>(4,012,863)</u>
Revenues over (under) expenditures and encumbrances	<u>(173,951,434)</u>	<u>(35,898,589)</u>	<u>138,052,845</u>	<u>(76,873,691)</u>	<u>58,255,307</u>	<u>135,128,998</u>	<u>-</u>	<u>8,084,350</u>	<u>8,084,350</u>

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND ENCUMBRANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)**

For the Year Ended November 30, 2000

	General Fund			Budgeted Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating transfers in	28,769,874	28,769,874	-	3,500,000	5,312,974	1,812,974	-	-	-
Operating transfers out	-	(13,168,000)	(13,168,000)	(30,269,874)	(32,018,480)	(1,748,606)	-	-	-
Sale of Land	-	-	-	-	2,900,000	2,900,000	-	-	-
Total other financing sources (uses)	28,769,874	15,601,874	(13,168,000)	(26,769,874)	(23,805,506)	2,964,368	-	-	-
Revenues and other financing sources over (under) expenditures and encumbrances and other financing uses	<u>\$ (145,181,560)</u>	<u>\$ (20,296,715)</u>	<u>\$ 124,884,845</u>	<u>\$ (103,643,565)</u>	<u>\$ 34,449,801</u>	<u>\$ 138,093,366</u>	<u>\$ -</u>	<u>\$ 8,084,350</u>	<u>\$ 8,084,350</u>

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES AND COMPONENT UNITS**

**For the Year Ended November 30, 2000**

	<b>Proprietary Fund Types</b>		<b>Primary Totals (Memorandum Only)</b>	<b>Component Unit Emergency Telephone System</b>	<b>Reporting Entity Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>			
<b>OPERATING REVENUES:</b>					
Net patient service revenue	\$ 627,572,340	\$ -	\$ 627,572,340	\$ -	\$ 627,572,340
Surcharge revenue	-	-	-	1,379,364	1,379,364
Investment income	-	-	-	213,775	213,775
Charges to other funds	-	43,967,959	43,967,959	-	43,967,959
Miscellaneous	7,593,887	9,177	7,603,064	-	7,603,064
Total operating revenues	635,166,227	43,977,136	679,143,363	1,593,139	680,736,502
<b>OPERATING EXPENSES:</b>					
Personnel services	556,915,268	-	556,915,268	519,100	557,434,368
Supplies	117,880,020	-	117,880,020	103,308	117,983,328
Insurance expense	12,267,564	-	12,267,564	17,365	12,284,929
Claims expense, net of actuarial adjustments	-	67,618,698	67,618,698	-	67,618,698
Purchased services, rental and other	73,850,163	-	73,850,163	268,285	74,118,448
Depreciation	27,044,594	-	27,044,594	229,479	27,274,073
Utilities	10,741,682	-	10,741,682	-	10,741,682
Provision for bad debts	226,709,848	-	226,709,848	-	226,709,848
Services contributed by other County offices	8,183,816	-	8,183,816	-	8,183,816
Total operating expenses	1,033,592,955	67,618,698	1,101,211,653	1,137,537	1,102,349,190
Operating income (loss)	(398,426,728)	(23,641,562)	(422,068,290)	455,602	(421,612,688)

The accompanying notes are an integral part of the financial statements.

COOK COUNTY, ILLINOIS

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES AND COMPONENT UNITS  
For the Year Ended November 30, 2000

	Proprietary Fund Types		Primary Totals (Memorandum Only)	Component Unit Emergency Telephone System	Reporting Entity Totals (Memorandum Only)
	Enterprise	Internal Service			
<b>NONOPERATING REVENUES:</b>					
Property taxes	\$ 182,257,461	\$ -	\$ 182,257,461	\$ -	\$ 182,257,461
Sales taxes	49,790,423	-	49,790,423	-	49,790,423
Cigarette taxes	10,272,068	-	10,272,068	-	10,272,068
Investment income	5,658,340	558,139	6,216,479	-	6,216,479
Retirement plan contribution	55,109,689	-	55,109,689	-	55,109,689
Transfer from restricted purpose funds	16,277,047	-	16,277,047	-	16,277,047
Services contributed by other County offices	-	-	-	-	-
Total nonoperating revenues	319,365,028	558,139	319,923,167	-	319,923,167
Net income (loss) before operating transfers/Restricted Activity	(79,061,700)	(23,083,423)	(102,145,123)	455,602	(101,689,521)
<b>OPERATING TRANSFERS IN</b>	8,183,816	-	8,183,816	-	8,183,816
<b>RESTRICTED FUNDS ACTIVITY, net</b>	2,265,239	-	2,265,239	-	2,265,239
Net income (loss)	(68,612,645)	(23,083,423)	(91,696,068)	455,602	(91,240,466)
<b>TRANSFER OF DEPRECIATION ON CONTRIBUTED ASSETS TO CONTRIBUTED CAPITAL</b>	25,005,087	-	25,005,087	-	25,005,087
Increase (decrease) in retained earnings	(43,607,558)	(23,083,423)	(66,690,981)	455,602	(66,235,379)
<b>RETAINED EARNINGS, November 30, 1999</b>	363,793,498	(228,386,948)	135,406,550	4,918,400	140,324,950
<b>RETAINED EARNINGS, November 30, 2000</b>	320,185,940	(251,470,371)	68,715,569	5,374,002	74,089,571
<b>CONTRIBUTED CAPITAL, November 30, 1999</b>	366,656,295	-	366,656,295	-	366,656,295
<b>ADD:</b>					
Contributed assets	155,403,121	-	155,403,121	-	155,403,121
<b>LESS:</b>					
Depreciation on contributed assets	(25,005,087)	-	(25,005,087)	-	(25,005,087)
<b>CONTRIBUTED CAPITAL, November 30, 2000</b>	497,054,329	-	497,054,329	-	497,054,329
<b>TOTAL RETAINED EARNINGS, November 30, 2000</b>	\$ 817,240,269	\$ (251,470,371)	\$ 565,769,898	\$ 5,374,002	\$ 571,143,900

The accompanying notes are an integral part of the financial statements.

COOK COUNTY, ILLINOIS

COMBINED STATEMENT OF CASH FLOWS--PROPRIETARY FUND TYPES AND COMPONENT UNITS  
For the Fiscal Year Ended November 30, 2000

	Proprietary Fund Types		Primary Totals	Component Unit	Reporting Entity
	Enterprise	Internal Service	(Memorandum Only)	Emergency Telephone System	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Gain(loss) from operations	\$ (398,426,728)	\$ (23,641,562)	\$ (422,068,290)	\$ 455,602	\$ (421,612,688)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:					
Prior period adjustment	-	-	-	-	-
Depreciation	27,044,594	-	27,044,594	229,479	27,274,073
Provision for bad debts	226,709,848	-	226,709,848	-	226,709,848
Retirement plan contribution	55,109,689	-	55,109,689	-	55,109,689
Services contributed by other County offices	8,183,816	-	8,183,816	-	8,183,816
Capital expenses financed by other County funds	2,434,592	-	2,434,592	-	2,434,592
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	-	-	-	586,328	586,328
Increase in patient accounts receivable	(211,607,753)	-	(211,607,753)	-	(211,607,753)
Decrease in third-party settlements receivable	4,087,449	-	4,087,449	-	4,087,449
Increase in accounts payable	1,627,371	2,730,172	4,357,543	5,934	4,363,477
Increase (decrease) in accrued salaries, wages and other liabilities, including accrued vacation and health claims	(10,084,741)	-	(10,084,741)	314,921	(9,769,820)
Increase in self-insurance claims	-	815,315	815,315	-	815,315
Due to other governments	-	-	-	-	-
Decrease (increase) in all other assets and liabilities	(1,970,758)	7,357,184	5,386,426	232,176	5,618,602
Net cash provided by (used in) operating activities	(296,892,621)	(12,738,891)	(309,631,512)	1,824,440	(307,807,072)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Borrowings from working cash fund	69,500,000	-	69,500,000	-	69,500,000
Repayment of borrowings from working cash fund	(69,500,000)	-	(69,500,000)	-	(69,500,000)
Restricted gifts, grants and bequests	15,546,171	-	15,546,171	-	15,546,171
Transfers from restricted funds	2,996,115	-	2,996,115	-	2,996,115
Real and personal property taxes received, net	189,447,917	-	189,447,917	-	189,447,917
Sales tax received	52,116,653	-	52,116,653	-	52,116,653
Cigarette taxes received	10,272,068	-	10,272,068	-	10,272,068
Investment with Trustee	-	-	-	(801,127)	(801,127)
Net cash provided by (used in) noncapital financial activities	270,378,924	-	270,378,924	(801,127)	269,577,797
<b>CASH FLOWS FROM CAPITAL AND REALTED FINANCING ACTIVITIES:</b>					
Purchase of capital assets	(100,411)	-	(100,411)	-	(100,411)
Proceeds from sale of capital	133,938	-	133,938	-	133,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	5,658,340	558,139	6,216,479	-	6,216,479
Sale (Purchase) of Time Deposit	-	-	-	(1,385,020)	(1,385,020)
Capital additions	-	-	-	(97,505)	(97,505)
Cash investment with Trustee	-	-	-	801,127	801,127
Construction in progress	-	-	-	-	-
Net cash provided by (used in) investing activities	5,658,340	558,139	6,216,479	(681,398)	5,535,081
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(20,821,830)	(12,180,752)	(33,002,582)	341,915	(32,660,667)
<b>CASH AND CASH EQUIVALENTS, November 30, 1999</b>	121,127,908	12,180,752	133,308,660	519,299	133,827,959
<b>CASH AND CASH EQUIVALENTS, November 30, 2000</b>	\$ 100,306,078	\$ -	\$ 100,306,078	\$ 861,214	101,167,292
<b>NON-CASH TRANSACTIONS:</b>					
Retirement plan contribution	55,109,689	-	55,109,689	-	55,109,689
Services contributed by other County offices	8,183,816	-	8,183,816	-	8,183,816
Contributed capital assets	155,403,121	-	155,403,121	-	155,403,121

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS  
PENSION TRUST FUNDS**

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**

**FOR THE YEAR ENDED November 30, 2000**

	<b>County Employees' and Officers' Annuity and Benefit Fund of Cook County</b>	<b>Forest Preserve District Employees' Annuity and Benefit Fund of Cook County</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions-			
Employer	\$ 157,818,073	\$ 3,520,932	\$ 161,339,005
Plan member	107,533,568	2,973,409	110,506,977
Total contributions	265,351,641	6,494,341	271,845,982
Investment income-			
Net appreciation in fair value of investments	212,728,321	3,435,449	216,163,770
Interest	147,568,081	5,700,924	153,269,005
Dividend and other investment income	38,245,493	517,179	38,762,672
Investment expense	(7,296,022)	(324,602)	(7,620,624)
Net investment income	391,245,873	9,328,950	400,574,823
Miscellaneous	2,941,707	-	2,941,707
Total additions	659,539,221	15,823,291	675,362,512
<b>DEDUCTIONS</b>			
Annuity benefits	165,427,209	5,005,090	170,432,299
Disability benefits	8,058,152	300,659	8,358,811
Refunds to employees	22,268,073	589,448	22,857,521
Administrative expenses	20,709,848	812,388	21,522,236
Total deductions	216,463,282	6,707,585	223,170,867
Net increase	443,075,939	9,115,706	452,191,645
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,</b>			
November 30, 1999	4,827,808,972	151,603,604	4,979,412,576
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,</b>			
November 30, 2000	<u>\$5,270,884,911</u>	<u>\$ 160,719,310</u>	<u>\$5,431,604,221</u>

The accompanying notes are an integral part of the financial statements.

COOK COUNTY, ILLINOIS

COMBINING BALANCE SHEET FOR COMPONENT UNITS – ALL FUND TYPES  
November 30, 2000

	Not-For-Profit Organizations		Proprietary Fund	
	Chicago Zoological Society	Chicago Horticultural Society	Emergency Telephone Systems	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 8,991,000	\$ 1,951,000	\$ 861,214	\$ 11,803,214
Investment securities	8,857,000	43,681,000	3,739,073	56,277,073
Cash and investments	17,848,000	45,632,000	4,600,287	68,080,287
Cash and investments with trustees	-	13,185,000	286,134	13,471,134
Taxes receivable (net of allowance for loss)-				
Tax levy-current year	15,688,000	9,278,000	-	24,966,000
Accrued interest receivable	-	-	-	-
Accounts receivable-				
Due from others	5,095,000	2,924,000	158,256	8,177,256
Inventories and other assets	1,632,000	-	-	1,632,000
Other receivables	770,000	1,961,000	103,011	2,834,011
Other assets	1,133,000	703,000	-	1,836,000
Property and equipment	131,220,000	67,734,000	1,902,504	200,856,504
Less-Accumulated depreciation	(41,929,000)	(31,053,000)	(637,222)	(73,619,222)
Total assets	<u>\$ 131,457,000</u>	<u>\$ 110,364,000</u>	<u>\$ 6,412,970</u>	<u>\$ 248,233,970</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,619,000	\$ 2,360,000	\$ 44,033	\$ 6,023,033
Accrued salaries payable	1,340,000	-	432,118	1,772,118
Due to other governments	-	-	286,134	286,134
Due to others	356,000	-	-	356,000
Current portion of revenue bonds payable	170,000	-	-	170,000
Deferred revenue	14,737,000	9,101,000	-	23,838,000
Other liabilities	5,300,000	-	276,683	5,576,683
Revenue bonds payable, less current portion	9,360,000	20,000,000	-	29,360,000
Total liabilities	<u>34,882,000</u>	<u>31,461,000</u>	<u>1,038,968</u>	<u>67,381,968</u>
<b>EQUITY AND OTHER CREDITS:</b>				
Net assets/Retained earnings-				
Restricted	4,437,000	10,576,000	5,374,002	20,387,002
Unrestricted				
Designated	16,394,000	55,895,000	-	72,289,000
Undesignated	75,744,000	12,432,000	-	88,176,000
Total equity and other credits	<u>96,575,000</u>	<u>78,903,000</u>	<u>5,374,002</u>	<u>180,852,002</u>
Total liabilities and retained earnings	<u>\$ 131,457,000</u>	<u>\$ 110,364,000</u>	<u>\$ 6,412,970</u>	<u>\$ 248,233,970</u>

The accompanying notes are an integral part of the financial statements.



**COOK COUNTY, ILLINOIS**  
**COMBINING STATEMENT OF CHANGE IN NET ASSETS –**  
**NOT-FOR-PROFIT ORGANIZATIONS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2000**

	<b>Chicago Zoological Society</b>	<b>Chicago Horticultural Society</b>	<b>Total</b>
<b>REVENUE:</b>			
Tax revenue	\$ 13,706,000	\$ 8,086,000	\$ 21,792,000
Capital development and renovation	3,715,000	-	3,715,000
Federal, state and other grants	3,775,000	2,199,000	5,974,000
Admissions and parking	6,366,000	-	6,366,000
Guest services	13,072,000	1,713,000	14,785,000
Contributions and bequests	4,643,000	5,762,000	10,405,000
Membership dues	4,349,000	1,966,000	6,315,000
Education fees	-	543,000	543,000
Gift shop	-	1,062,000	1,062,000
Investment income	2,482,000	1,514,000	3,996,000
Fundraising benefits, net	-	283,000	283,000
Other income	899,000	634,000	1,533,000
Total revenues	<u>53,007,000</u>	<u>23,762,000</u>	<u>76,769,000</u>
<b>EXPENSES:</b>			
Program Services-			
Animal collection and conservation biology	10,002,000	-	10,002,000
Care of buildings and grounds	9,283,000	7,665,000	16,948,000
Admissions and parking	2,155,000	-	2,155,000
Guest services	11,953,000	-	11,953,000
Membership	-	1,118,000	1,118,000
Public education	2,660,000	5,991,000	8,651,000
Gift shop	-	945,000	945,000
Research and conservation	-	468,000	468,000
Marketing and public relations	2,808,000	-	2,808,000
Depreciation	3,755,000	2,699,000	6,454,000
Supporting services-			
Management and general	3,001,000	1,935,000	4,936,000
Fund-raising	1,301,000	-	1,301,000
Membership development	949,000	1,649,000	2,598,000
Total expenses	<u>47,867,000</u>	<u>22,470,000</u>	<u>70,337,000</u>
Change in net assets from operations	5,140,000	1,292,000	6,432,000
Investment return in excess of amounts designated for current use	-	4,502,000	4,502,000
<b>CHANGE IN NET ASSETS</b>	<u>5,140,000</u>	<u>5,794,000</u>	<u>10,934,000</u>
<b>NET ASSETS, beginning of year</b>	<u>91,435,000</u>	<u>73,109,000</u>	<u>164,544,000</u>
<b>NET ASSETS, end of year</b>	<u>\$ 96,575,000</u>	<u>\$ 78,903,000</u>	<u>\$ 175,478,000</u>

The accompanying notes are an integral part of the financial statements.

**COOK COUNTY, ILLINOIS  
COMBINING STATEMENT OF CASH FLOWS –  
NOT- FOR-PROFIT ORGANIZATIONS  
FOR THE YEAR ENDED NOVEMBER 30, 2000**

	<b>Chicago Zoological Society</b>	<b>Chicago Horticultural Society</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets	\$ 5,140,000	\$ 5,794,000	\$ 10,934,000
Adjustments to reconcile change in net assets to net cash provided by operating activities-			
Depreciation	3,755,000	2,699,000	6,454,000
Net realized and unrealized gain on long-term investment securities	(1,619,000)	(5,113,000)	(6,732,000)
Decrease (increase) in-			
Short-term investments	-	(8,975,000)	(8,975,000)
Unrestricted promises to give	3,000	-	3,000
Beneficial interests in third party trusts	-	(146,000)	(146,000)
Inventory	39,000	-	39,000
Miscellaneous receivables and other current assets	(2,315,000)	(1,614,000)	(3,929,000)
Other current assets	99,000	-	99,000
Taxes receivable	-	(972,000)	(972,000)
Pledges receivable	-	(273,000)	(273,000)
Unamortized revenue bond issue costs	12,000	-	12,000
Increase (decrease) in -			
Accounts payable and accrued expenses	647,000	(196,000)	451,000
Payroll-related accruals and accrued liabilities	(720,000)	-	(720,000)
Deferred liabilities	(952,000)	-	(952,000)
Accrued sick pay and postretirement benefits	121,000	-	121,000
Contributions restricted for long-term purposes	(5,244,000)	-	(5,244,000)
Other long-term liabilities	8,000	-	8,000
Deferred tax revenue	-	677,000	677,000
Net cash provided by operating activities	<u>(1,026,000)</u>	<u>(8,119,000)</u>	<u>(9,145,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures, net	(9,375,000)	(3,174,000)	(12,549,000)
Net proceeds from sale of investment securities	-	14,711,000	14,711,000
Purchases of investment securities, net	3,334,000	(11,017,000)	(7,683,000)
Net cash used in investing activities	<u>(6,041,000)</u>	<u>520,000</u>	<u>(5,521,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments of long-term debt	(253,000)	-	(253,000)
Proceeds from contributions restricted for long-term purposes	2,337,000	-	2,337,000
Proceeds from bond issuance	-	20,000,000	20,000,000
Purchase of trustee-held investments	-	(13,185,000)	(13,185,000)
Net cash provided by financing activities	<u>2,084,000</u>	<u>6,815,000</u>	<u>8,899,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,983,000)	(784,000)	(5,767,000)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	13,974,000	2,735,000	16,709,000
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 8,991,000</u>	<u>\$ 1,951,000</u>	<u>\$ 10,942,000</u>

The accompanying notes are an integral part of the financial statements.

## COOK COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

November 30, 2000

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cook County, Illinois (the "County"), a home rule unit under the Illinois Constitution of 1970, was created by the State of Illinois (the "State") in 1831. The County is currently managed by 17 Commissioners elected from single member districts for four-year terms. The President of the County Board of Commissioners (the "County Board") is also elected and serves as the chief executive officer; he may also be elected as a Commissioner. Currently, the President is a Commissioner. All 17 Commissioners serve as the legislative body.

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

##### a. Financial Reporting Entity

As required by accounting principles generally accepted in the United States ("GAAP"), these financial statements present the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. The following component units have been blended into the County's financial statements:

- (1) The Forest Preserve District of Cook County, Illinois (the "District") was established pursuant to Illinois Compiled Statute (Chapter 40, Act 5, Sections 9-101 to 10-108) on July 1, 1914. The District is governed by the same Board of Commissioners that currently serves as members of the County's Board. As a result, in accordance with GAAP, the operations of the District are blended with the County for financial reporting purposes. The District appoints management positions and has authority for budgets, fiscal management and the setting of charges and fees for the use of forest preserve facilities. The District is subject to its own statutory tax rate limitations. The District has the power to create forest preserve facilities and may issue debt secured by the full faith and credit of the District. The County is not responsible for financing operating deficits or debt service of the District. The boundaries of the District are coterminous with the boundaries of the County. The District's financial statements for the year ended December 31, 1999, are blended in the County's general purpose financial statements, except for two of the District's component units which are discretely presented and discussed below. The District's financial statements include all required funds and account groups.
- (2) The County Employees' and Officers' Annuity and Benefit Fund and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the "Pension Trust Funds") are defined benefit, single-employer pension plans established by Illinois Compiled Statutes (Chapter 40, Acts 5/9 and 5/10). The County's Retirement Board is the administrator of the County Employees' and Officers' Annuity and Benefit Fund and consists of seven members, two of whom are appointed and five of whom are elected. The County's Retirement Board also acts as the ex-Officio Retirement Board for the

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County. The Pension Trust Funds are maintained and operated for the benefit of the employees and officers of the County and the Forest Preserve District. As a result, the Pension Trust Funds are financed by investment income, employees' payroll deductions and property taxes levied and collected by the County and the Forest Preserve. In accordance with GAAP, both Pension Trust Funds' financial statements for the year ended December 31, 1999, are blended in the County's general purpose financial statements.

- (3) The fee offices of the County, which include elected officials such as the Cook County Treasurer, the Clerk of the Circuit Court, the Sheriff's Office, the State's Attorney, and others were established to manage various activities of the County. The County Board is responsible for approving appropriations and levying taxes. As a result, in accordance with GAAP, the financial statements of the various fee offices for the fiscal year ended November 30, 2000, are blended in the County's general purpose financial statements.

The following three component units have been discretely presented due to their relationship to the County.

- (1) The Chicago Zoological Society maintains and operates the Brookfield Zoo (the "Zoo") in accordance with a contract with the District through April 2006. The contract provides for an automatic renewal for an additional 20 years unless revoked in writing 12 months prior to the end of the contract by either the District or the Zoo. The District funds a portion of the Zoo's operations through tax levies. Also, all the land has been provided by the District. The Zoo, which follows not-for-profit accounting principles, is presented for the year ended December 31, 1999.
- (2) The Chicago Horticultural Society (the "Society") operates the Chicago Botanic Garden (the "Garden") under an agreement with the District that expires in 2015. The agreement provides for an automatic renewal for 40 years upon agreement of both parties. The District funds a portion of the Garden's operation through tax levies. All the land the Garden occupies is owned by the District. The Society, which follows not-for-profit accounting principles, is presented for the year ended December 31, 1999.
- (3) The Cook County Emergency Telephone System (the "System") is a venture established by resolution of the Cook County Board of Commissioners in accordance with the Emergency Telephone System Act of the Illinois Compiled Statutes. The Cook County Board of Commissioners and the Sheriff's Office appoints the System's board members. The System was organized for the purpose of providing equipment, services, personnel, facilities and other items necessary for the implementation, operation, maintenance and repair of the E-911 Emergency Telephone System within the unincorporated portions of Cook County and the municipalities of Robbins, Ford Heights, Stone Park, Northlake, Golf and Phoenix, Illinois. The System, for the year ended November 30, 2000, is presented as a proprietary fund type.

The County is not aware of any other entity over which it exercises such significant control over its operational or financial relationship as to result in the entity being blended or discretely presented in the County's general purpose financial statements.

#### **b. Basis of Presentation**

The accounting system of the County is a fund system implemented to present the financial position and the results of operations of each fund. It is also designed to provide budgetary control over the revenues and expenditures of each fund. Separate funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund is an independent fiscal and

accounting entity made up of a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.

Accounting records for the District, the Zoo, the Garden, the System, the Pension Trust Funds, and the various fee offices are maintained by these respective entities. Accounting records for all other operations of the County are maintained by the Comptroller's office.

The following fund types and account groups are used by the County:

#### *Governmental Funds*

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund. There are two accounts used by the County for General Fund financial resources: the Corporate Account and the Public Safety Account. The Corporate Account includes all revenues and expenditures attributable to government management and supporting services, control of environment, assessment and collection of taxes, election, economic and human development and transportation. The Public Safety Account includes the revenues and expenditures attributable to the protection of persons and property (corrections and courts) and revenues and expenditures of Cermak Health Services and the Medical Examiner.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources to pay for long-term debt and related costs.

Capital Project Funds – The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### *Proprietary Funds*

Enterprise Funds – The Enterprise Funds are used to account for the operations of the Cook County Health Facilities. The Cook County Health Facilities (the "Health Facilities") include the following entities: Cook County Hospital, Provident Hospital of Cook County, Oak Forest Hospital, The Cook County Department of Public Health, the Cook County Bureau of Health Services and the Ambulatory and Community Health Network of Cook County.

Internal Service Fund – The Internal Service Fund is used to account for Cook County's Self-Insurance Fund.

#### *Fiduciary Funds*

Pension Trust Funds – The Pension Trust Funds are used to account for transactions, assets, liabilities and net assets available for plan benefits of the County Employees' and Officers' Annuity and Benefit Fund of Cook County and Forest Preserve District Employees' Annuity and Benefit Fund of Cook County.

Expendable Trust Funds – The Expendable Trust Funds are used to account for the County's working cash resources maintained for the General, Election, Forest Preserve and Health Facilities Funds. The resources from these funds have historically been used only for temporary interfund loans. They are classified as Expendable Trust Funds pursuant to an

opinion of legal counsel that, due to its “home rule” powers, the County has the authority to appropriate such monies.

Agency Funds – The Agency Funds are used to account for resources received and held by the County as an agent to be expended or invested in its agency capacity. Agency funds include amounts held by the following offices: the County Treasurer, the Clerk of the Circuit Court, the County Sheriff, the State’s Attorney, the Public Guardian, the Public Administrator, the Forest Preserve District, Payroll Deductions and Other Fee Offices.

#### *Account Groups*

General Fixed Assets Account Group – This Account Group is used to account for all the general fixed assets of the County, except for the Proprietary fund, and its discretely presented component units.

General Long-Term Obligations Account Group – This Account Group is used to account for all long-term obligations of the County, except for the Proprietary fund, and its discretely presented component units.

### **c. Basis of Accounting**

#### **(1) Governmental and Expendable Trust and Agency Funds**

The modified accrual basis of accounting is used by all Governmental Fund types and the Expendable Trust and Agency Funds. Under the modified accrual method of accounting, revenues are recognized when measurable and available for financing current obligations. Accordingly, property taxes are recognized as deferred revenue in the year of levy and as revenue in the subsequent year when the taxes become measurable and collectible within the current period, or 60 days thereafter. Uncollected taxes are written off by the County at the end of the fiscal year immediately following the year that the taxes become due. County sales tax revenues are being recorded in the accounting period when they are measurable and available. Accordingly sales tax amounts that are held by the State of Illinois at the County’s fiscal year-end and are transmitted to the County within 60 days of the fiscal year-end have been recorded as fiscal 2000 revenues. Other taxes assessed by the County (use, gasoline, alcohol and cigarette taxes) are reported as revenues for the month of assessment since such amounts are collected by the County within 30 days of month end. For most Federal and State grants, reimbursements and reimbursements from other governments are recognized as revenue when related expenditures are incurred. Interest on investments is recognized when earned. Amounts held by other County offices at November 30, 2000, are accrued by the Comptroller. All other revenues, including personal property replacement taxes, are recognized when collected by the County.

Expenditures, other than principal and interest on long-term debt which is recognized as due, are recognized when obligations are incurred. Claims and judgments are recorded to the extent that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and the amount of loss can be reasonably estimated. Liabilities that are not expected to be liquidated with expendable available resources are recorded in the General Long-Term Obligations Account Group.

#### **(2) Pension Trust Funds**

The accrual basis of accounting is used by the Pension Trust Funds. Under the accrual basis of accounting, revenues are recognized when earned and measurable and expenses are recognized at the time liabilities are incurred.

(3) Proprietary Funds

The Proprietary Funds have chosen to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, pursuant to paragraph 7 of Government Accounting Standards No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*.

- (4) Enterprise Funds – Accounting records are maintained on an accrual basis, and revenue is recognized when earned and measurable. Expenses are recognized when incurred.

(a) Net Patient Service Revenue

A significant amount of the Health Facilities' net revenue from patient services is derived from the Medicaid and Medicare programs. Payments under these programs are based on a specific amount per case, or on a contracted price or costs, as defined, of rendering services to program beneficiaries.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

During fiscal year 2000, the Health Facilities' payor utilization was as follows, based on gross patient service revenue:

Self-pay	34%
Medicaid	48%
Medicare	12%
Other	6%
	<u>100%</u>

(b) Charity Care

Cook County Hospital, Oak Forest Hospital, Provident Hospital and Ambulatory and Community Health Network of Cook County ("ACHN") treat patients in need of medical services without regard to their ability to pay. The Hospitals maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished as well as the estimated costs incurred for charity care services. During 2000, the following levels of charity care were provided:

Charges forgone for charity care	<u>\$112,261,327</u>
Estimated costs incurred for charity care	<u>\$130,194,334</u>

(c) Interagency Transfer Agreements

The Health Facilities receive enhanced Medicaid reimbursement by means of an Interagency Agreement (the "Agreement") between the Board of Commissioners and the Illinois Department of Public Aid (the "IDPA"). Under terms of the Agreement, which is annually renewable, the IDPA will direct additional funding to

the Health Facilities for inpatient and outpatient services based on per diem and per visit cost reimbursement methodologies. In addition, the Agreement requires the IDPA to provide the Health Facilities additional funding to assist the Health Facilities in offsetting the cost of its uncompensated care. Such adjustment amounts include federal matching funds.

Under terms of the Interagency Agreement, the Health Facilities earned \$102.0 million in net additional payments from the IDPA for fiscal year 2000 as follows: seven months of revenues relate to the State's fiscal year 2000, which ended on June 30, 2000 and five months of revenues for the State's fiscal year 2001, which began on July 1, 2000. Accordingly, the combined financial statements as of November 30, 2000 include accrued revenue under the Secondary Interagency Agreement of \$32,500,000. Such accrued revenue, which is included in net patient service revenue in these combined financial statements, represents amounts earned during the first five months of the State's 2001 fiscal year less the \$10.0 million late payment related specifically to the State's fiscal year 2000.

Reimbursement under the Agreement will automatically terminate if federal funds under Title XIX are no longer available to match amounts collected and disbursed according to the terms of the Agreement, at the rate of at least 50%. The Agreement will also automatically terminate in any year in which the General Assembly of the State of Illinois fails to appropriate or reappropriate funds to pay the IDPA's obligations under these arrangements or any time that such funds are not available. The Interagency Agreement can be terminated by either party upon 15 days' notice. Additionally, the Interagency Agreement requires the parties to comply with certain laws, regulations and other terms of operations.

Subsequent to November 30, 2000, in January 2001, the Health Care Financing Administration ("HCFA") issued regulations to revise the upper payment limit calculation in HCFA regulations in a manner that would restrict the State's ability to make payments to the Health Facilities consistent with the existing Interagency Agreements. The impact of the new regulations will be phased in beginning July 1, 2003 and will not become fully effective until 2008.

Previously, in December 2000, federal legislation was enacted that both mandated the issuance of the HCFA regulations and mitigated the impact of the regulation in Illinois. The federal legislation substantially increased the authority of the State to make disproportionate share hospital ("DSH") payments to the County on behalf of the Health Facilities. Management believes the increased DSH payments authorized under the federal legislation could substantially offset the limit on non-DSH payments mandated by the new HCFA regulations, through July 1, 2005. Thereafter, a provision of the federal legislation would sunset and new statutory provisions would be required to fully mitigate the effect of the HCFA regulations.

- (5) Internal Service Fund – The Internal Service Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The accrual basis of accounting is utilized by the Internal Service Fund. Under this method, revenues are recorded when earned and expenses are recorded when incurred.



**d. Budget**

**(1) County**

The development of the annual budget begins with each department submitting a detailed request for appropriation. Meetings are then held by the President of the County Board and the budget staff with each department to review the request. Based on department requests and available resources, the Chief Financial Officer, in conjunction with the Budget Director, prepares an executive budget which is submitted to the President for approval.

Concurrent with this process, the Chief Financial Officer and the County Comptroller prepare an estimate of revenues and other resources available for appropriations. This estimate is required by County ordinance to be submitted on or before November 1 of each year.

The executive budget, as approved by the President, is submitted to the County Board's Committee on Finance, which in turn holds hearings with each department.

Public hearings on the budget are held after which the Committee on Finance recommends the budget to the County Board with such amendments as it may deem appropriate. The budget, in the form of the Appropriation Ordinance, is then approved by the County Board with any further amendments that may be made by the County Board. The Annual Appropriation Ordinance must be adopted by March 1 of the current fiscal year, or the prior fiscal year's Ordinance remains in force for the current fiscal year. The County's current practice is to adopt the budget prior to the beginning of the current fiscal year.

The budget is prepared on an encumbrance accounting basis in which the current year's encumbrances are treated as expenditures of the current period on the budgetary operating statements. Annual budgetary appropriation accounts are established for the General Fund, budgeted Special Revenue Funds, the Debt Service Fund and the Health Facilities Enterprise Fund. These appropriation accounts represent the maximum expenditures authorized during the fiscal year, and they cannot legally be exceeded unless subsequently amended by the County Board. Unexpended and unencumbered appropriations lapse at the end of each fiscal year. Unencumbered balances in the various fund accounts of the County and other fund accounts may be inadequate to pay for services already rendered because of unforeseen commitments at the time the fiscal year 2000 Annual Appropriation Bill is passed. The Comptroller and the Treasurer are authorized to use these unexpended balances as transfers so that fund deficiencies may be liquidated. The Capital Project Funds apply project length budgets for fiscal control. The level of control where expenditures may not exceed the budget is the fund level of activity.

Governmental grants and other non-budgeted special revenue funds are not budgeted within the annual budgeting process, as discussed above. The County controls expenditures from nonbudgeted funds by monitoring cash balances through its accounting and cash disbursement system. Any Nonbudgeted Debt Service Funds' expenditures, which arise after the passage of the budget, are determined by the terms of bond indentures.

The County Board is authorized to amend the Annual Appropriation Ordinance by approving appropriation line item transfers within a department's budget or intrafund transfers between departments. Total appropriations for each fund cannot be changed unless a supplemental appropriation is approved by the Board of County Commissioners.

Supplemental appropriation ordinances are approved when matched with estimated appropriable resources. During the fiscal year, no supplemental appropriations were approved by the Board of County Commissioners.

(2) Forest Preserve District

The District's Committee on Finance submits to the Forest Preserve Board a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. The budget document is available for public inspection for at least 30 days prior to the Board's passage of the Annual Appropriation Ordinance. The Board must hold at least one public hearing on the budget prior to its passage.

Within 60 days (March 1) of the beginning of the fiscal year, the Board legally enacts the budget through the passage of the Annual Appropriation Ordinance. The Board is authorized to transfer budgeted amounts between various line items within any fund. The Board must approve any revisions altering the total expenditures of any fund. The budget information stated in the financial statements includes adjustments, if any, made during the year. The level of control where expenditures may not exceed the budget is the fund level of activity.

With the exception of unspent capital projects (construction and development funds), budgetary amounts lapse at year-end and are not carried forward to succeeding years. State statute permits the capital projects funds to be carried forward for four succeeding years until the fund is closed.

The budget is prepared on the cash basis of accounting for expenditures except for certain transactions which are accounted for on a basis other than accounting principles generally accepted in the United States ("GAAP basis"). The Special Revenue-General Surplus is the legally adopted expenditures from prior years that have not been expended to date. The major differences between the budget and GAAP basis are that for the Governmental Funds of the District property tax revenues are recorded on the full accrual method, while for budget purposes the current year's property tax levy (net of an allowance for loss and cost) is recognized as revenue.

The actual results of operations on the budget basis are presented in the Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Funds and Debt Service Funds.

The following funds have legally adopted budgets: Special Revenue - General, Debt Service, Real Estate Acquisition and Capital Projects.

**e. Encumbrances/Commitments**

The encumbrance system of accounting is followed in all governmental funds (except the Forest Preserve District and the Fiduciary Fund Types) under which current year's appropriations are charged when purchase orders, contracts and other commitments are made in order to reserve that portion of the applicable appropriation.

Encumbrances are not the equivalent of expenditures in GAAP operating statements; therefore, the reserve for encumbrances is reported as part of the fund balance. Encumbrances outstanding at the end of the fiscal year are carried forward as a reserve for encumbrances to be disbursed in the subsequent year(s).

Of the County's total reserve for encumbrances, \$417,619,953 for fiscal 2000 is due to contractual commitments for County architectural, engineering and construction services for various construction and rehabilitation projects.

The Forest Preserve District has entered into a number of contractual commitments for construction and repair of various facilities the District owns. At December 31, 1999, the District has approximately \$2,009,348 of major commitments.

**f. Cash Management and Investments**

- (1) County (all reporting entities other than Forest Preserve District, Agency Funds and Pension Trust Funds)

The County Treasurer and Comptroller maintain cash records for all of the County Funds except the Forest Preserve District Funds, the Pension Trust Funds and the Agency funds which are discussed below. The County Comptroller maintains detailed cash records of receipts and disbursements for the following individual funds: 1) Corporate 2) Public Safety 3) Health Services 4) Special Revenue 5) Capital Projects and 6) Grants and the following four disbursement accounts: 1) Salary 2) Supply 3) Juror and 4) Election. The County Treasurer maintains general cash receipts and disbursement records for each of these individual funds and disbursement accounts which correspond directly to accounts established at the County's operating disbursement bank. The County Treasurer segregates and deposits cash receipts into the proper operating funding accounts which are recorded as individual bank accounts for each individual fund. The County Comptroller issues checks for authorized County expenses. Funding for County checks is made at time of issue into the appropriate disbursement checking account. Funding is accomplished when the County Comptroller communicates the verified balances from the daily funding report to the County Treasurer and transmits the daily issuance file to the County's operating disbursement bank. The County Treasurer then facilitates the movement of cash through wire transfers from the appropriate funding account into the appropriate disbursement account. The daily issuance transmissions to the County's operating disbursement bank are confirmed on a daily basis. Daily balances in the disbursement accounts, which represent checks not yet presented to the bank for payment, are invested nightly through an automated sweep into a money market mutual fund account, which is permissible under the law of the State of Illinois. A separate money market mutual fund account is maintained for each of the four individual disbursement accounts. The County Comptroller credits the Corporate Account for interest earned on the daily balances swept from the disbursement accounts to the money market mutual fund accounts.

Daily investments are made by the Treasurer and the interest earned is credited by the Comptroller to the appropriate fund.

During the year, the Treasurer invested in interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits, United States Treasury securities and various tax-exempt municipal securities. These investments are authorized by the Illinois State Statutes.

Temporary cash borrowings take place among the various operating funds. These interfund borrowings allow idle cash not currently required in some funds to be borrowed by other funds on a temporary basis. Since the County's operating bank accounts are maintained on a pooled basis, temporary interfund borrowings result from the issuance of checks in amounts in excess of the cash credited to the fund for which the check was issued. The County believes that prudent interfund borrowing of temporarily idle monies

constitutes an appropriate cash management practice since it reduces the need for external borrowings. Interfund borrowings are not made from cash accounts maintained for debt service or rental payments.

Working cash funds are maintained for the County and Forest Preserve District fund purposes. The money to establish and increase these working cash funds was obtained from the issuance of long-term bonds and from legally available County resources. Monies on deposit in the working cash funds are invested with the interest earnings being credited to the working cash funds. The working cash funds, as of November 30, 2000, totaled \$321,935,051, of which \$164,770,877 is for General, \$124,772,161 for Health Facilities, \$20,892,013 for Election and \$11,500,000 at December 31, 1999, for Forest Preserve District purposes.

The County maintains separate and restricted escrow cash accounts with Trustees for all outstanding general obligation debt and capital projects. Current tax collections are transferred into escrow cash accounts to satisfy the above liabilities as they become due. The County retains the power to invest the principal in the escrow accounts. Investments are primarily investment grade commercial paper, certificates of deposit, treasury notes and money market funds.

## (2) Forest Preserve District

The Forest Preserve District maintains its own cash and investment pool that is available for use by all of its funds. This pool holds deposits, certificates of deposit, repurchase agreements and other investments with maturities of less than one year. Investments are stated at cost, which approximates market value. Deferred compensation plan assets are recorded at market value. Per State Statute, the District has discretion in allocating interest income to its various funds, except for the pro-rata share belonging to the District's Bond and Interest Fund.

The District's deposit and investment policies are governed by State Statute. Illinois State Statute limits the uninsured, uncollateralized deposits of a public agency to 75% of the financial institution's (bank or savings and loan) net worth. The District is in compliance with this statute. The District's written investment policy generally requires financial institutions with holdings in excess of the Federally insured limit of \$100,000, to post, with the correspondent banker approved and authorized by the District, sufficient collateral of 110% of investment value to protect the District in the event of a default.

The District maintains separate and restricted escrow accounts for all outstanding general obligation bonds. Current tax collections are transferred into escrow to satisfy as soon as possible, the bond or note holders security interest in the District's specific tax levy. Once tax collections are transferred to the escrow account the District can no longer reacquire the cash for any District operations until after payment is made to the paying agent. The District retains the power to invest the principal of the escrow account. Investments are primarily certificates of deposit.

## (3) Agency Funds

The Agency Funds, which include various fee offices of the County, maintain their own cash and investment accounts to manage the various activities of the County. The funds are governed by the County's Taxpayers Interest Assurance Ordinance, which requires that all cash held by the fee offices be placed into interest-bearing bank accounts and collateralized at 110%, except for economic reasons or if funds are prohibited by law from being invested (i.e. trust funds).

(4) Pension Trust Funds

Pension Trust Funds are administered by the respective fund's Retirement Board and its cash and investments are held by a designated custodian. The Funds are authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, debentures or other obligations set forth in the Illinois Compiled Statutes. Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Gains and losses are recognized when securities are sold and for the net appreciation (depreciation) in fair value of plan investments.

**g. Taxes**

(1) Real Property Tax

Following the approval of the Annual Appropriation Ordinance, proceedings are adopted by the County Board authorizing the raising of revenue by direct taxes on real property. This is known as the tax levy and must be certified to and filed in the County Clerk's Office. The real property taxes become a lien on property and a receivable as of January 1 in the budget year for which taxes are levied.

The County Assessor is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment, which is assessed directly by the State. One-third of the County is reassessed each year on a repeating triennial schedule established by the Assessor.

Property assessed by the County is subject to equalization by the State. The equalized value is added to the valuation of property assessed directly by the State (to which an equalization factor is not applied) to arrive at the assessment base used by the County Clerk in determining the tax rate for the County's tax levy. By virtue of its Constitutional "home rule" powers, the County does not have a statutory tax limit, except as described below. However, the Forest Preserve District Fund has the following maximum statutory tax rate limits for each of the District's taxing funds, per \$100 of equalized assessed valuation:

Special Revenue—General	\$ .060
Zoological Fund	.035
Botanic Gardens Fund	.015
Capital Projects Fund (construction and development)	.021
Debt Service (Bond and Interest Fund)	Limited by maximum debt
Agency—Employees Annuity and Benefit Fund	<u>No limit</u>

The County Board passed The Property Tax Relief Ordinance, which restricts the growth in the aggregate real property tax levy for the General (Corporate and Public Safety Accounts) and the Health Facilities Funds, to the lesser of 5% or the Consumer Price Index for All Urban Consumers. The Bond and Interest levy and the Pension levy are excluded from this ordinance.

Property taxes are collected by the County Collector (who is also the County Treasurer), who remits to the County its respective share of the collections. Taxes levied in one year normally become due and payable in two installments, on March 1 and September 1 during the following year. The first installment is an estimated bill and is one half of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization, and any changes from the prior year will be reflected in the second installment bill. Railroad property taxes (based on the State's assessments) are due in

full at the time the second installment is due. Property tax revenue for fiscal year 2000 represents the amount of property taxes levied in fiscal year 1999 and collected in fiscal year 2000 and 60 days thereafter. Property tax receivable at November 30, 2000 represents the fiscal year 2000 taxes levied on December 21, 1999 and uncollected fiscal year 1999 taxes.

Property, on which property taxes are unpaid after the due date, is eligible to be sold at a public sale. If property sold for taxes is not redeemed within two years, the tax buyer receives a deed to the property.

The Annual Appropriation Ordinance of the County has a provision for an allowance for uncollectible taxes. The County's present policy allows for approximately a 3% provision for uncollectible property taxes. It is the County's policy to review this provision annually and to make adjustments accordingly.

On July 29, 1981, State law, requiring additional procedures in connection with the annual levying of property taxes, became effective. The law states that, if an aggregate annual levy, exclusive of election costs and debt service requirements, is estimated to exceed 105% of the levy of the preceding year, a public hearing shall be held on the proposed increase. If the final levy as adopted exceeds 105% of the prior year's levy and exceeds the proposed levy specified in the notice, or is more than 105% of such proposed levy and no notice was required, notice of the adoption of such levy must be published within 15 days of the adoption thereof. No amount in excess of 105% of the preceding year's levy may be extended unless the levy is accompanied by a certification of compliance with the foregoing procedures. The express purpose of the law is to require published disclosure of an intention to adopt a levy in excess of the specified levels. The County and District, at public hearings on its 2000 budget, complied with this law.

During 1995, the State extended the provisions of the Property Tax Extension Limitation Law (the "Limitation Law") to non-home rule taxing districts in Cook County, including the Forest Preserve District. Subject to specific exceptions, the Limitation Law limits the annual growth in property tax extensions for the Forest Preserve District to (i) 5% for taxes extended in 1995 and (ii) the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant levy year for taxes extended in years after 1995.

## (2) Personal Property Replacement Tax

All personal property taxes in the State of Illinois were abolished, effective January 1, 1979. A personal property replacement tax was enacted, effective July 1, 1979.

The personal property replacement tax represents an additional income tax for corporations (including certain utilities) at the rate of 2.5% of net taxable income; an additional income tax for trusts at the rate of 1.5% of net taxable income; a new income tax for partnerships and Subchapter S Corporations at the rate of 1.5% of net taxable income; and a new tax at the rate of 0.8% of invested capital for public utilities providing gas, communications, electrical and water services. Partnerships and Subchapter S Corporations previously had not been subject to the Illinois income tax.

The replacement tax law provides that monies received by the County from the tax shall be applied, first, toward payment of the proportionate amount of debt service, which was previously levied and extended against personal property for bonds outstanding as of December 31, 1978, and, next, applied toward payment of the proportionate share of the

pension or retirement obligations of the County which were previously levied and extended against personal property.

#### **h. Interfund Transactions**

The County has the following types of interfund transactions:

Quasi-External Transactions – Charges for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements – Reimbursements of expenditures or expenses made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers – Nonrecurring or nonroutine transfers of equity between funds and transfers of residual balances of discontinued funds to the General Fund or a debt service fund.

Operating Transfers – Legally authorized transfers, other than residual equity transfers, are reported as operating transfers.

#### **i. Inventory**

Inventory is valued at the lower of cost or market.

#### **j. Property and Equipment**

Governmental and Fiduciary Funds – Fixed assets, for all funds other than the Proprietary Funds, have been recorded as an expenditure of the fund from which the expenditure was made and have been recorded as an asset in the General Fixed Asset Account Group at cost or estimated historical cost. Public domain general fixed assets consisting of curbs and gutters, streets and sidewalks, drainage systems and lighting systems (“infrastructure”) are not capitalized. No depreciation has been provided on general fixed assets.

Proprietary Funds – Land improvements, buildings, leasehold and building improvements, and equipment and furniture of the proprietary fund type are recorded at historical cost. No value has been assigned to the land upon which the Health Facilities are located.

Depreciation is provided over the estimated useful life of each class of assets. The estimated useful lives are as follows:

Land improvements	5 to 63 years
Buildings	40 to 100 years
Leasehold and building improvements	10 to 68 years
Equipment and furniture	<u>3 to 25 years</u>

Depreciation for all Health Facilities other than Cook County Hospital is computed on the straight-line method. Cook County Hospital depreciation is calculated using the 150% declining-balance method.

During fiscal year 1990, the County purchased the property known as Provident Hospital from the U.S. Department of Housing and Urban Development for \$1. The purchase agreement restricts the use of the property to a “general public hospital or other public health care facility

for a period of 50 years” or the remaining useful life of the property. Additional restrictions exist related to the distribution of proceeds from any sale of the property.

At November 30, 2000, the County was in the process of numerous construction and renovation projects at the various Health Facilities’ sites. Expenditures from other County funds for equipment and construction in progress amounted to \$155,403,121 for the year ended November 30, 2000, and are included in the Enterprise Fund’s equity.

**k. Vacation and Sick Leave**

Governmental and Enterprise Funds – Employees can earn from 10 to 25 vacation days per year, depending on their length of employment with the County. An employee can accumulate no more than the equivalent of two years’ vacation. Accumulated vacation leave is due to the employee, or employee’s beneficiary, at the time of termination or death. Accrued vacation leave is recorded as a liability in the individual funds when incurred.

Salaried employees can accumulate sick leave at the rate of one day for each month worked, up to a maximum of 175 days. Accumulated sick leave is forfeited at the termination of employment; therefore, sick leave pay is not accrued and is charged as an expenditure when paid.

Sick leave does not vest, but any unused sick and vacation leave, up to six months in duration, accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

Forest Preserve District Fund – District employees are granted vacation and sick leave as follows:

- (1) Employees can generally carry over a portion or all of vacation earned in one year to the following year. In the event of death, retirement or termination, other than by discharge for cause, unused vacation is usually paid to the employee or the employee’s beneficiary. The payment often provides for partial vacation credits earned in the current year.
- (2) Full-time employees usually earn eight hours of sick leave for each month worked. Non-Union employees have the discretion to accumulate a maximum of 960 hours (120 days) of sick leave. Union employees have the discretion to accumulate a maximum of 1,400 hours (175 days) of sick leave. All rights for compensation for sick leave terminate when an employee severs employment with the District. Since sick pay is not vested, a provision for accumulated sick pay is not provided.

The District considers all compensated absences as long term in nature and therefore records all liability provisions in the Long-Term Obligations Account Group. The District had \$4,068,569 in accumulated unpaid vacation and other employee benefits at December 31, 1999.

**l. Self-Insurance/Other Contingencies**

County – The County (except for the Forest Preserve District Fund discussed below) self-insures all risks, including workers’ compensation, general, automobile insurance and other liability. The County is a defendant in lawsuits alleging work-related injuries, highway cases and other claims in which it is involved. Cases related to these areas are in various stages of the legal process.

The County engages an external actuary to provide an actuarial estimate of its liabilities for self-insured expenses. The liability recorded reflects a 6% discount factor. If the discounted



estimate were not used, the ultimate liability for the self-insured programs would be approximately \$67 million higher than the amount recorded in the financial statements at November 30, 2000.

The County funds its self-insurance liabilities, including those of the Health Facilities, on a current basis and has the authority to finance such liabilities through the levy of property taxes. While it is difficult to estimate the timing or amount of expenditures, management of the County believes that the self-insurance liabilities recorded at November 30, 2000, are adequate to provide for potential losses resulting from medical malpractice, workers' compensation and general liability claims including incurred but not reported claims. The self-insurance liabilities recorded are based on facts known at the current time, however, the discovery of additional information concerning specific cases could affect estimated costs in the future.

For the fiscal year ended November 30, 2000, amounts charged by the self-insurance fund to other County funds for insurance and claims payouts are reported as revenues to the self-insurance fund and expenditure/expenses of the fund charged.

The following table describes the activity during fiscal years 1999 and 2000 for the primary classifications of liabilities (in millions):

Type	Balance at Nov. 30 1998	Insurance and Claims Payouts	Expense, Net of Actuarial Adjustments	Balance at Nov. 30, 1999	Insurance and Claims Payouts	Expense, Net of Actuarial Adjustments	Balance at Nov. 30, 2000
Medical Malpractice	\$136.7	\$(19.8)	\$25.4	\$142.3	\$(36.9)	\$36.2	\$141.6
Workers Compensation	38.7	(9.3)	10.2	39.6	(9.8)	8.0	37.8
General	2.3	(0.5)	6.2	8.0	(0.8)	(3.3)	3.9
Automobile	2.2	(0.6)	1.4	3.0	(0.4)	(1.3)	1.3
Claim Expense Reserves	5.6	--	(3.9)	1.7	--	6.7	8.4
Other	54.9	(18.0)	2.4	39.3	(14.2)	16.6	41.7
Total Internal Service Fund Claims Liability	<u>\$240.4</u>	<u>\$(48.2)</u>	<u>\$41.7</u>	<u>\$233.9</u>	<u>\$(62.1)</u>	<u>\$62.9</u>	<u>\$234.7</u>

Forest Preserve District Fund – The Forest Preserve District is self-insured for the following various claims:

- Casualty and public liability claims
- Automobile liability
- Property and contents
- Workers' compensation claims
- Employees' health insurance (reimbursed to a provider on a cost plus basis)

The District recognizes the liability for such claims in the General Long-Term Obligations Account Group when the amount of the expenditure is measurable, i.e., when agreement is acquired both as to the issue of liability and the dollar amount. The Special Revenue-General Fund's expenditure recognition for insurance claims (included in "fixed charges" on the combined statement of revenue, expenditures and changes in fund balances) is the fiscal year's cash disbursement adjusted for a 60-day accrual. The claims expenditure recognition

for other funds is essentially a transfer from the Special Revenue-General Fund for the specific fund's budgeted amount.

The District's estimate of liabilities for tort claims is based on reserves established by the respective trial attorneys. Any matter in which the likelihood of loss is probable has been recorded in the General Long-Term Obligations Account Group. The District has a policy of not estimating total future claims for workers' compensation claims; however, claims likely to be paid out have been estimated based on historical data and \$1,090,000 has been recorded in the General Long-Term Obligations Account Group.

The District has made its own determination, without the use of an enrolled actuary, of claims incurred but not reported at year-end. To date, the District has made no separate funding arrangement for these claims reserves. However, the District has the statutory authority to impose a tax levy for settlement bonds to satisfy major claims.

The District is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. The District reimburses the State for claims paid by the State on a quarterly basis.

**m. Long-Term Obligations**

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of either the County as a whole or the Forest Preserve District as a whole and not of the individual constituent funds of either government. General obligation debt proceeds are used to finance Health Facilities' projects and accordingly, are not recorded in the Enterprise Fund. Unmatured obligations of the County and the Forest Preserve District are accounted for in the General Long-Term Obligations Account Group.

**n. Indirect Costs**

Indirect costs are charged to various federal programs and other funds based on a formal plan developed annually by the County. These costs are reflected as expenditures in those funds benefiting from the services provided and as reimbursements to the General Fund which provides the services.

**o. Cash and Cash Equivalents in the Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the County considers all unrestricted, highly liquid investments with a maturity date of three months or less from the date of purchase to be cash equivalents. Restricted investments consist of investments with a maturity date greater than three months from the date of purchase.

**p. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures, or expenses during the reporting period. Actual results could differ from those estimates.

**q. GASB Pronouncements**

In December 1998, the GASB issued GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". GASB No. 33 established new accounting and

financial reporting standards for nonexchange transactions. In a directly giving (or receiving) equal value in return. This standard is to be implemented for fiscal years beginning June 15, 2000 or thereafter.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" effective for periods beginning after June 15, 2001.

Management is currently assessing the impact that the adoption of these standards will have on the County's future financial statements.

**r. "Memorandum Only" Total Columns**

"Memorandum Only" captions on combined statement total columns indicate that totals are presented for overview information purposes only. They do not purport to present financial position or results of operations for the County as a whole. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

## **2. BUDGETARY BASIS OF ACCOUNTING**

The accompanying Statements of Revenues, Expenditures and Encumbrances and Changes in Unreserved Fund Balance--Budget and Actual have been prepared on a legally prescribed budgetary basis of accounting which differs from GAAP. The significant differences in accounting practices between the operating statements presented under GAAP and the budgetary operating statements follow:

- a. Property tax levies and personal property replacement taxes ("PPRT") are recognized as revenue in the budgetary statements in the year levied or the year replacement personal property taxes would have been levied. The operating statements prepared under GAAP recognize property tax levies as revenue in the subsequent year when they become available; PPRT are recognized when collected by the County.
- b. Expenditures related to specific property tax levies (i.e., pension obligation, principal and interest on general obligation bonds, rental obligations, and allowances for uncollectible taxes) are recognized in the budgetary statements in the year the taxes are levied. The GAAP operating statements recognize these expenditures when the related liability is incurred with the exception of principal and interest on general long-term debt, which is recognized when due.
- c. Encumbrances are combined with expenditures in the budgetary statements but are excluded in the GAAP operating statements.
- d. Incurred obligations (i.e. accounts payable and accrued salaries) are recognized as expenditures when paid in the budgetary statements while the GAAP operating statements recognize these items when the related liability is incurred.
- e. Revenue is recognized when received in the budgetary statements, while the GAAP operating statements recognize these items when measurable and available for financing current obligations.

Reconciliation of the differences between the GAAP and budgetary operating statements for the year ended November 30, 2000, is set forth below:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>
Revenues and other financing sources over (under) expenditures and other financing uses—GAAP basis	\$ (15,469,020)	\$ 37,880,675	\$309,018
Effect of Nonbudgeted Special Revenue Funds	-	(24,126,127)	-
Effect of deferring 2000 property tax levy	(4,103,208)	15,870,216	96,320
Effect of accruing certain revenue	150,301	(1,328,741)	(124,701)
Effect of not including encumbrances as expenditures	(25,776,327)	2,033,395	-
Effect of recognizing incurred obligations at November 30, 2000	24,901,539	4,120,383	7,803,713
Revenues and other financing sources over (under) expenditures and encumbrances and other financing uses—budgetary basis	<u>\$ (20,296,715)</u>	<u>\$ 34,449,801</u>	<u>\$8,084,350</u>

### 3. CASH AND INVESTMENTS

The County's deposits and investments are categorized into one of three custodial credit risk categories:

1. Demand accounts or time deposits insured or collateralized with securities held by the County or its agent in the County's name. Investment securities insured, registered or held by the County or its agent in the County's name.
2. Demand accounts or time deposits collateralized with securities held by the pledging financial institution's trust department or its agent in the County's name. Investment securities held by the financial institution's trust department or its agent in the County's name.
3. Demand accounts or time deposits uncollateralized or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the County's name. Investment securities held by the financial institution or its trust department or its agent but not in the County's name.

	(1)	(2)	(3)	Bank or Fair Value	Carrying Amount
Deposits-					
Demand	\$ 370,833,610	\$ 48,028,949	\$ 4,421,122	\$ 423,283,681	\$ 338,199,519
Time	948,608,866	970,594	397	949,579,857	948,518,118
Investments-					
U.S. Treasury obligations	1,102,165,512	-	-	1,102,165,512	1,102,165,512
Commercial paper	21,260,626	-	-	21,260,626	21,260,626
Corporate bonds	757,787,583	-	-	757,787,583	757,787,583
Common and preferred stocks	1,966,078,013	-	-	1,966,078,013	1,966,078,013
Repurchase agreements	185,200,000	-	-	185,200,000	185,200,000
Totals	<u>\$ 5,351,934,210</u>	<u>\$ 48,999,543</u>	<u>\$ 4,421,519</u>	5,405,355,272	5,319,209,371
Investments not categorized-					
IPTIP				112,610,087	112,610,087
Public Guardian Fund				29,662,684	29,662,684
Money market mutual funds-				101,115,793	101,115,793
Mutual Funds				1,176,143,857	1,176,143,857
Limited partnerships				220,451,308	220,451,308
Unsettled trades				(85,484,019)	(85,484,019)
				<u>\$ 6,959,854,982</u>	<u>\$ 6,873,709,081</u>
Reconciliation to balance sheet-					
Cash and investments					\$ 6,789,258,362
Cash and investments with trustees					84,408,175
Cash and investments with paying and escrow agents and trustees					42,544
					<u>\$ 6,873,709,081</u>

The majority of the County's investments either have a maturity date of less than one year or are not held for investment purposes. As a result, the County carries these investments at amortized cost. Equity investments held by the Public Guardian's agency fund are carried at fair value. Pension plan investments are carried at fair value.

#### 4. INDIVIDUAL FUND DISCLOSURES

##### Interfund Transfers

The following individual interfund operating transfers were made during the year:

	In	Out
General Fund-		
Motor Fuel Tax fund	\$27,000,000	\$ -
Election fund	101,991	-
County Law Library fund	814,480	2,000,000
Animal Control fund	252,632	-
County Recorder Document Storage System fund	195,970	-
County Clerk Automation fund	27,451	-
Circuit Court Document Storage fund	162,654	-
Circuit Court Automation fund	214,700	-
Adult Probation Services fund	771,654	-
Social Service Probation fund	976,950	-
Cook County Hospital	-	8,183,816
	<u>30,518,482</u>	<u>10,183,816</u>
Special Revenue Funds-		
Motor Fuel Tax--General Fund	-	27,000,000
Motor Fuel Tax--Circuit Court automation	-	1,500,000
Election--General Fund	-	101,991
County Law Library—General Fund	2,000,000	814,480
Animal Control--General Fund	-	252,632
County Recorder Document Storage System-- General Fund	-	195,970
County Clerk Automation—General Fund	-	27,451
Circuit Court Document Storage--General Fund	-	162,654
Circuit Court Automation—Motor fuel tax	1,500,000	-
Circuit Court Automation—General Fund	-	214,700
Adult Probation Services—General Fund	-	771,654
Social Service Probation—General Fund	-	976,950
Forest Preserve District-General--Capital Project	1,812,974	-
Forest Preserve District-Real Estate--Capital Project	12,593	482,818
	<u>5,325,567</u>	<u>32,501,300</u>
Capital Project Funds-		
Forest Preserve District Fund--Special Revenue	482,818	1,825,567
Forest Preserve District Fund--Debt Services	1,303,379	-
	<u>1,786,197</u>	<u>1,825,567</u>
Debt Service Funds-		
Forest Preserve District Fund-- Capital Project	-	1,303,379
Enterprise Funds-		
Cook County Hospital—General Fund	8,183,816	-
Total all funds	<u>\$45,814,062</u>	<u>\$45,814,062</u>

## Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at November 30, 2000 are as follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund-		
Corporate Account	\$29,219,420	\$ 3,221,275
Public Safety Account	22,796,865	143,209
	<u>52,016,285</u>	<u>3,364,484</u>
Special Revenue Funds-		
Motor Fuel Tax	12,134,349	-
Annuity and Benefit	-	4,121,397
Election	429,503	-
County Law Library	226,660	3,400
County Animal Control	50,000	200
County Recorder Document Storage System	180,414	-
County Clerk Automation	180,469	-
Circuit Court Document Storage	301,108	-
Circuit Court Automation	320,770	-
Circuit Court Dispute Resolution	6,887	-
Social Service Probation	73,039	-
Forest Preserve District--General	1,214,481	21,144,812
Forest Preserve--Real Estate Acquisition	8,310,445	293,024
Governmental Grants	-	20,633,766
	<u>23,428,125</u>	<u>46,196,599</u>
Debt Service Fund-		
Forest Preserve District	3,205,693	85,940
	<u>3,205,693</u>	<u>85,940</u>
Capital Project Funds-		
Government Management and Supporting Services	74,801,579	84,542,515
Protection of Health	-	3,946,125
Forest Preserve District	7,384,057	8,226,360
	<u>82,185,636</u>	<u>96,715,000</u>
Enterprise Funds-Health Facilities	<u>10,367,188</u>	<u>-</u>
Internal Service Fund	<u>-</u>	<u>11,868,769</u>
Trust and Agency Funds-		
Pension Trust Funds-		
County Employees' and Officers' Annuity and Benefit		
Fund of Cook County	95,638	-
Forest Preserve District Employees' Annuity and		
Benefit Fund of Cook County	-	95,638
Expendable Trust/Working Cash Funds-		
Forest Preserve District	11,500,000	-
Agency Funds-		
Clerk of the Circuit Court	-	2,662,453
County Sheriff	211,126	211,126
State's Attorney	-	99,285
County Treasurer	-	15,000,000
Forest Preserve District	-	2,158,470
Other Departments	-	5,260,186
	<u>11,806,764</u>	<u>25,487,158</u>
<b>Total</b>	<u><u>\$183,009,691</u></u>	<u><u>\$183,717,950</u></u>

Interfund receivables do not equal interfund payables by a net amount of \$708,259 due to different fiscal year-ends of the County and the Forest Preserve District.

## 5. FIXED ASSETS

### Governmental Funds

The following is a summary of the components of the General Fixed Assets Account Group at November 30, 2000:

	<b>Balance Nov. 30, 1999</b>	<b>Additions</b>	<b>Write-offs/ Retirements/ Transfers</b>	<b>Balance Nov. 30, 2000</b>
Land and improvements	\$ 188,595,313	\$ 2,845,000	\$ (2,678)	\$ 191,437,635
Buildings	1,113,268,250	2,277,475	-	1,115,545,725
Vehicles	36,973,964	6,808,387	(5,884,844)	37,897,507
Equipment and furniture	111,447,140	18,474,083	(8,301,524)	121,619,699
Total property and equipment	1,450,284,667	30,404,945	(14,189,046)	1,466,500,566
Construction in progress	201,873,249	133,063,494	(4,285,574)	330,651,169
	<u>\$1,652,157,916</u>	<u>\$163,468,439</u>	<u>\$(18,474,620)</u>	<u>\$1,797,151,735</u>

Information regarding general fixed assets by function and activity, schedule of changes of general fixed assets by function and activity and source of funding is not available.

### Enterprise Funds

The following is a summary of the changes in property and equipment for the enterprise fund for the year ended November 30, 2000:

	<b>Balance Nov. 30, 1999</b>	<b>Additions</b>	<b>Write-Offs/ Retirements Transfers</b>	<b>Balance Nov. 30, 2000</b>
Land improvements	\$ 11,040,174	\$ -	\$ -	\$ 11,040,174
Buildings	237,824,940	995,662	-	238,820,602
Leasehold and building improvements	143,172,764	4,859,462	125,426	148,157,652
Equipment and furniture	153,197,232	11,386,505	(264,588)	164,319,149
Total property and equipment	545,235,110	17,241,629	(139,162)	562,337,577
Construction in progress	146,475,273	135,732,124	-	282,207,397
	<u>691,710,383</u>	<u>152,973,753</u>	<u>(139,162)</u>	<u>844,544,974</u>
Accumulated depreciation	(385,410,554)	(27,044,594)	100,411	(412,354,737)
Net property and equipment	<u>\$ 306,299,829</u>	<u>\$125,929,159</u>	<u>\$ (38,751)</u>	<u>\$ 432,190,237</u>



## 6. OPERATING LEASES

The County is committed under two leases for data processing equipment and Health Information System services. These leases are considered for accounting purposes to be noncancelable operating leases. Lease expenditures for the year ended November 30, 2000, amounted to \$12,587,586. Future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2001	\$ 4,728,000
2002	4,728,000
2003	2,758,000
Total	<u>\$12,214,000</u>

## 7. LONG-TERM DEBT

### General Obligation Bonds

The County has various general obligation, serial and term bond issues outstanding. The following summarizes the activity of these issues for the year ended November 30, 2000:

Bonds outstanding, November 30, 1999	\$1,859,510,000
Bond issued	-
Bonds retired	(59,520,000)
Bonds defeased	-
Bonds outstanding, November 30, 2000	<u>\$1,799,990,000</u>

Debt Service Funds are maintained for retirement of bonded debt. Property tax receipts for bonds issued prior to 1992 are deposited into a cash escrow account, and property tax receipts for bonds issued in 1992 and thereafter are deposited with a bond trustee, both for subsequent payment of the principal and interest. The annual requirements to retire all bonds outstanding at November 30, 2000, are detailed as follows:

<b>Fiscal Year</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total Requirements</b>
2001	55,730,000	94,239,673	149,969,673
2002	56,550,000	91,372,136	147,922,136
2003	59,675,000	88,474,541	148,149,541
2004	53,105,000	85,360,588	138,465,588
2005	51,865,000	82,500,155	134,185,155
2006	54,625,000	79,616,281	134,241,281
2007	61,700,000	76,691,459	138,391,459
2008	61,130,000	73,413,383	134,543,383
2009	63,020,000	70,188,717	133,208,717
2010	67,135,000	66,531,283	133,666,283
2011	65,555,000	62,880,535	128,435,535
2012	62,380,000	59,107,695	121,487,695
2013	71,355,000	55,796,341	127,151,341
2014	83,095,000	52,182,502	135,277,502
2015	79,635,000	47,512,476	127,147,476
2016	97,065,000	44,162,987	141,227,987
2017	88,110,000	39,043,406	127,153,406
2018	92,685,000	34,469,231	127,154,231
2019	97,495,000	29,656,475	127,151,475
2020	102,595,000	24,556,650	127,151,650
2021	107,965,000	19,189,019	127,154,019
2022	113,620,000	13,539,288	127,159,288
2023	33,915,000	7,704,000	41,619,000
2024	21,745,000	6,008,250	27,753,250
2025	22,835,000	4,921,000	27,756,000
2026	23,975,000	3,779,250	27,754,250
2027	25,175,000	2,580,500	27,755,500
2028	26,435,000	1,321,750	27,756,750
Total	<u>\$1,799,990,000</u>	<u>\$1,316,799,571</u>	<u>\$3,116,789,571</u>

General obligation bonds outstanding at November 30, 2000, are composed of the following:

1990 County serial bonds of \$144,210,000, due in annual installments of \$1,160,000 to \$11,790,000 through November 1, 2007; interest at 6.5% to 7.3%	\$ 33,035,000
1992A County bonds of \$211,740,000; \$71,855,000 serial bonds due in annual installments of \$3,905,000 to \$6,035,000 through November 15, 2007; interest at 3.5% to 6.5%; \$14,000,000 of 6.5% term bonds due November 15, 2010; \$22,815,000 of 6.5% term bonds due November 15, 2012; and \$103,070,000 of 6.6% term bonds due November 15, 2022	8,545,000
1992B County bonds of \$210,045,000; \$52,265,000 serial bonds due in annual installments of \$3,350,000 to \$5,715,000 through November 15, 2004, interest at 2.9% to 5.75%; \$16,100,000 of 5.75% term bonds due November 15, 2007; \$12,500,000 of 6% term bonds due November 15, 2009, \$38,470,000 of 6% term bonds due November 15, 2014, \$29,295,000 of 6% term bonds due November 15, 2017, and \$61,415,000 of 5.5% term bonds due November 15, 2022	71,355,000
1992C County bonds of \$159,835,000, due in annual installments of \$260,000 to \$31,185,000 through November 15, 2009, interest at 2.9% to 6%	126,635,000
1993A County bonds of \$235,000,000; \$100,445,000 serial bonds due in annual installments of \$2,125,000 to \$13,780,000 through November 15, 2008; interest at 2.75% to 5.4%; \$20,000,000 of 5.375% term bonds due November 15, 2012; and \$114,555,000 of 5% term bonds due November 15, 2023	121,040,000
1993B County bonds of \$260,480,000; \$164,535,000 serial bonds due in annual installments of \$1,730,000 to \$26,340,000 through November 15, 2010; interest at 2.25% to 5.4%; \$20,365,000 of 5.375% term bonds due November 15, 2012; and \$75,580,000 of 5.375% term bonds due November 15, 2018	236,645,000
1996 County bonds of \$486,345,000; \$281,920,000 serial bonds due in annual installments of \$450,000 to \$25,370,000 through November 15, 2016; interest at 4.9% to 6.5%; \$204,425,000 of 5.875% term bonds due November 15, 2014	191,195,000
1997A County bonds of \$206,400,000; \$134,500,000 serial bonds due in annual installments of \$625,000 to \$26,740,000 through November 15, 2019; interest at 5% to 6.25%; \$71,900,000 of 5.625% term bonds due November 15, 2022	206,400,000
1997B County serial bonds of \$74,535,000 due in annual installments of \$345,000 to \$10,440,000 through November 15, 2017; interest at 4% to 5.125%	74,190,000
1998A County bonds of \$281,965,000; \$129,510,000 serial bonds due in annual installments of \$1,060,000 to \$29,700,000 through November 15, 2018; interest at 4% to 5%; \$152,455,000 of 5% term bonds due November 15, 2022	279,365,000
1999A County bonds of \$329,655,000; \$132,380,000 serial bonds due in annual installments of \$11,090,000 to \$17,040,000 through November 15, 2019; interest at 5% to 5.25%; \$77,110,000 of 5% term bonds due November 15, 2023; \$120,165,000 of 5% term bonds due November 15, 2028	329,655,000
1999B County bonds of \$80,485,000; \$80,485,000 serial bonds due in annual installments of \$350,000 to \$26,520,000 through November 15, 2012; interest at 4% to 5.125%	80,135,000
Total County general obligation bonds	<u>1,758,195,000</u>
1993 Forest Preserve District bonds of \$25,120,000; \$17,425,000 serial bonds due in annual installments of \$755,000 to \$3,020,000 through November 1, 2008, interest at 3% to 5.5%; and \$7,695,000 5.6% term bonds due November 1, 2014	17,540,000
1996 Forest Preserve District bonds of \$25,540,000; \$13,900,000 limited tax bonds due in annual installments of \$255,000 to \$9,010,000 through November 1, 2016; interest at 4.1% to 5.8%; \$11,640,000 of 4.1% to 5.8% term bonds due November 1, 2016	24,255,000
Total Forest Preserve District general obligation bonds	<u>41,795,000</u>
Total General Obligation bonds	<u>\$1,799,990,000</u>

In prior years, the County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account and the defeased bonds are not included in the County's general purpose financial statements. As of November 30, 2000, the amount of defeased general obligation bonds outstanding was \$819,953,342.

## General Obligation Variable Rate Demand Bonds

On December 3, 1996, the County Board, acting in the exercise of its "home rule" powers, approved a general obligation Variable Rate Demand Bond for the purpose of financing the purchase and the construction of certain County capital improvement projects. As of November 30, 2000, \$110.5 million demand bonds were outstanding, with variable interest rates over the life of the bond. Interest on the bonds will be paid out of the Capital Projects Fund.

All demand bonds are direct general obligations of the County to which the County has pledged its full faith, credit and resources. Under certain circumstances, investors in the demand bond have the right to demand payment of their demand bonds. If any such demand bonds are not remarketed to other investors, the County is required to purchase the demand bonds. The County has entered into a Master Revolving Credit Agreement with Morgan Guaranty Trust Company of New York, expiring on December 1, 2001, to allow the County to borrow money, under certain conditions, for the purchase of any demand notes not remarketed. Accordingly, these bonds are reported as general long-term debt of the County.

The County intends to issue long-term debt in the future to retire outstanding variable rate demand bonds.

The following table sets forth the variable rate demand bonds issued and outstanding by project at November 30, 2000:

<b>Project</b>	<b>Variable Rate Demand Bonds Issued and Outstanding</b>	<b>Maturity</b>
Capital Equipment – Long-term	\$ 13,278,620	December 1, 2001
New and Replacement Capital	26,001,000	December 1, 2001
69 W. Washington Building	66,724,337	December 1, 2001
Capitalized Interest	4,496,043	December 1, 2001
	<u>\$110,500,000</u>	

## 8. OTHER LONG-TERM OBLIGATIONS

### Property Tax Objections

The County makes refunds of property taxes collected in error and other refunds relating to settlements of prior-year property tax objection suits. Property tax objection suits have been settled in court for tax levy years up to 1992. As of November 30, 1999, there are no unpaid settlements for the General and Health Facilities Funds relating to these years. According to the Cook County State's Attorney, similar suits have been filed for tax years 1992-1998. The County has estimated probable amounts payable relating to such years for which suits have been filed but are not settled. Additional amounts have been estimated for other specific property tax objections and errors for which refunds are expected to be paid.

All settlements and refunds are payable from (a) previous property tax collections which have not been distributed to the County and are held by the Cook County Treasurer specifically for the payment of settled amounts and refunds and (b) future collections of property taxes.

The amount, exclusive of \$7,105,931 recorded as a liability in the Health Facilities Funds, of unpaid settlements and estimated future settlements and refunds, net of amounts held by the County Treasurer, is \$17,896,956 at November 30, 2000, and has been recorded in the General Long-Term Obligations Account Group since payments will be made from property tax collections (including amounts from prior tax levy years) made subsequent to the fiscal year-end.

The following summarizes the activity of property tax objections during the year ended November 30, 2000:

	<b>Enterprise Funds</b>	<b>General Long-Term Obligations Account Group</b>
Property tax objection liability, November 30, 1999	\$ 8,034,681	\$19,735,564
Current year activity, net	(928,750)	(1,838,608)
Property tax objection liability, November 30, 2000	<u>\$ 7,105,931</u>	<u>\$17,896,956</u>

In the opinion of County management, the amount recorded is adequate to reflect future payments relating to prior tax levy years.

#### **Compensated Absences and Provision for Settlement of Torts**

The following summarizes the activity of compensated absences and the provision for settlement of torts for the Forest Preserve District during the year ended November 30, 2000:

	<b>Tort Liability</b>	<b>Compensated Absences</b>
Balance at November 30, 1999	\$1,614,521	\$3,863,393
Current year activity, net	(524,521)	205,176
Balance at November 30, 2000	<u>\$1,090,000</u>	<u>\$4,068,569</u>

## **9. POSTRETIREMENT BENEFITS**

In addition to the pension benefits described in Note 10, the County provides, through its Pension Trust Fund, postretirement health care benefits to all retired employees of the County who meet the pension plan eligibility requirements. The Pension Trust Fund now fully and directly assumes validated claims for medical and hospitalization costs incurred by retirees and their dependents. These claims are no longer paid through the County's General Fund. Expenditures for postretirement health care benefits are recognized as retirees report claims.

## **10. PENSION PLANS**

### **a. County Pension Plan**

The County Employees' and Officers' Annuity and Benefit Fund of Cook County ("the Fund") was established on January 1, 1926 and is governed by legislation contained in the Illinois Compiled Statutes, particularly Chapter 40, Article 5/9. The Fund can be amended only by

the Illinois Legislature. The County Employees' and Officers' Annuity and Benefit Fund is a single employer defined benefit pension plan with a defined contribution minimum. The Fund was created for the purpose of providing retirement, death and disability benefits for full-time employees of Cook County and the dependents of such employees. The Fund is considered to be a component unit of Cook County and is included in the County's financial statements as a Pension Trust Fund. The financial statements of the Fund are audited by an independent public accountant and are the subject of a separate report. Copies of the Fund's report for the year ended December 31, 1999 are available upon request to the Pension Board.

The Statutes authorize a board of trustees (Retirement Board) of seven members to carry out the provisions of the Article. According to the Article, two members of the Board are ex-officio, four are to be elected by the employee members of the Fund, and one is to be elected by the annuitants of the Fund. The two ex-officio members are the Comptroller of Cook County or someone chosen by the Comptroller and the Treasurer of Cook County or someone chosen by the Treasurer. All members of the Retirement Board are fiduciaries with respect to the Fund, and are statutorily mandated to discharge their duties, as such, solely in the interest of the Fund's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Fund, to invest the Fund's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit, and to have exclusive original jurisdiction in all matters relating to or affecting the Fund. The Board approves its own budget which is prepared by the administrative staff of the Fund. The Board is required annually to submit to the County Board of Cook County a detailed report of the financial affairs and status of the reserves of the Fund. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Employees of Cook County who have a position with the County are eligible for benefits. Covered employees are required to contribute 8.5% of their salary to the Fund. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). Cook County, for its employer's portion, is required by State Statutes to contribute an amount equal to 8% of each individual employee's salary as well as the remaining amounts necessary to finance the requirements of the Fund. The County's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Fund in the calendar year prior to the year for which annual applicable tax is levied, multiplied by 1.54. The source of funds for the County's contributions has been designated by State Statutes as the County's annual property tax levy.

The County Employees' and Officers' Annuity and Benefit Fund provides retirement as well as death and disability benefits. Employees age 50 and over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.2% for each of the first 20 years of credited service and 2.4% for each year thereafter to maximum benefit of 80% of the final average monthly salary. For retirement between age 50 and 60, the monthly retirement benefit is reduced  $\frac{1}{2}$  percent for each month the participant is under age 60. This reduction is waived for participants having 30 or more years of credited service.

The County payroll for employees covered by the Plan for the year ended December 31, 1999, was \$1,162,538,616. At December 31, 1999, the Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	<u>10,790</u>
Terminated employees entitled to benefits or a refund of contributions, but not yet receiving them	<u>11,205</u>
Current employees-	
Vested	11,248
Nonvested	<u>15,149</u>
Total	<u>26,397</u>

At December 31, 1999 investments in excess of 5% of the Fund's net assets consisted of the following:

Mutual funds:	
NTQA EB G/L Bond Index B	\$283,592,609
NTQA EB U.S. Marketing Equity Index B	339,457,064
Other	<u>508,336,219</u>

Employer contributions are funded primarily through a County tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees of the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.54.

The current actuarial studies of the Fund dated June 1, 2000 for the year ended December 31, 1999 indicated a minimum annual contribution by the County to maintain the Fund on a minimum valuation basis to be \$190,557,579. This minimum annual contribution is based on an annual payroll of \$1,162,538,616 for 26,397 active members during 1999.

The Entry Age Normal Cost Method is the actuarial funding method used in determining the contributions necessary to accumulate sufficient assets to pay benefits when due. Under GASB 25, the initial unfunded liability that existed as of January 1, 1976 must be amortized over a period of forty years. This method of financing is termed Normal Cost Plus 40 Year Amortization Method. Previously, the Normal Cost Plus Interest Method was used in financing the unfunded liability. Under the Normal Cost Plus Interest Method, the unfunded liability was recognized but not amortized.

1999 contributions made to the Fund were less than the actuarial contribution requirements determined by an actuarial valuation as follows:

	<u>Amount</u>	<u>Percentage of covered Payroll</u>
Employer (County) contributions (1)	\$ 160,940,258	15.09%
Plan member (employee) contributions (2)	107,533,567	10.08
Total	<u>\$ 268,473,825</u>	<u>25.17%</u>
Covered payroll – prior year	<u>\$1,066,458,432</u>	

(1) Net tax levy by the County.

(2) Includes contributions made by the County on behalf of participants receiving disability.

Employer contributions have been determined as follows:

Actuarial valuation date	December 31, 1999
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period (remaining)	40 years (open period)
Asset valuation method	5 year Smoothed Average Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases:	
Inflation	3.5%
Seniority merit	2.0%
Postretirement benefit increases	3.0% compounded per year for employee and widow(er) annuitants
Postretirement health insurance	5.0% compounded per year

Six-year trend information may be found in the Annual Report of the Pension Trust Fund. The Annual Pension Cost and related information for the three most recent fiscal years is as follows:

<u>Year Ended December</u>	<u>Employer Required Contribution, Normal Cost Plus 40 Year Level Dollar Amortization (ARC) (a)</u>	<u>Required Statutory Basis (1) (b)</u>	<u>Actual (2) (c)</u>	<u>Percent of ARC Contributed (c/a)</u>	<u>Net Pension Obligation (NPO) (3)</u>
1997 (4)	\$107,741,768	\$132,428,627	\$134,783,854	125.10%	\$(259,605,225)
1998 (4), (5)	171,928,912	143,858,050	146,339,155	85.12	(233,504,322)
1999	196,850,449	156,643,360	160,940,258	81.76	(202,328,934)

(1) Tax levy by the County after 3.0% overall loss (2.7% prior to 1998).

(2) Net tax levy by the County plus miscellaneous income.

(3) Negative balance as the County has no pension-related liability under GASB 27.

(4) Changes in asset valuation, actuarial assumptions, employee benefits, and funding method result in changes to the expected employee and employer contributions. The scale of these changes will cause any comparison to prior years to have little practical meaning.



- (5) Beginning in 1998 estimates for employee contributions include estimated optional contributions.

**b. Forest Preserve District Pension Fund**

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County was established on July 1, 1931 and is governed by legislation contained in the Illinois Compiled Statutes, particularly Chapter 40, Article 5/10. The Plan can be amended only by the Illinois Legislature. The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is single employer defined benefit pension plan with a defined contribution minimum. The Fund was created for the purpose of providing retirement, death and disability benefits for full-time employees of the Forest Preserve District of Cook County, Illinois (Forest Preserve District) and the dependents of such employees. The Fund is considered to be a component unit of the Forest Preserve District of Cook County, Illinois and is included in the Forest Preserve District's financial statements for the year ended December 31, 1999 as a pension trust fund. The financial statements of the Fund are audited by an independent public accountant and are the subject of a separate report. Copies of the Fund's report are available upon request to the Pension Board.

The Statutes authorize a board of trustees (Retirement Board) of seven members to carry out the provisions of the Article. According to the Article, two members of the Board are ex-officio, four are to be elected by the employee members of the Fund, and one is to be elected by the annuitants of the Fund. The two ex-officio members are the Comptroller of Cook County or someone chosen by the Comptroller and the Treasurer of Cook County or someone chosen by the Treasurer. All members of the Retirement Board are fiduciaries with respect to the Fund, and are statutorily mandated to discharge their duties, as such, solely in the interest of the Fund's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Fund, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit, and to have exclusive original jurisdiction in all matters relating to or affecting the Fund. The Board is required annually to submit to the Forest Preserve District Board of Cook County a detailed report of the financial affairs and status of the reserves of the Fund. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Employees of the Forest Preserve District are eligible for benefits. Covered employees are required to contribute 8.5% of their salary to the Fund. If any employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant.) The Forest Preserve District for its employer's portion, is required by State Statutes to contribute an amount equal to 8% of each individual employee's salary as well as the remaining amounts necessary to finance the requirements of the Fund. The Forest Preserve District's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Fund in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.30. The source of funds for the Forest Preserve District's contributions has been designated by State Statutes as the District's annual property tax levy.

The Forest Preserve District Employees' Annuity and Benefit Fund provides retirement as well as death and disability benefits. Employees age 50 or over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.2% for each of the first 20 years of

credited service and 2.4% for each year thereafter to a maximum benefit of 80% of the final average salary. For retirement between age 50 and age 60, the monthly retirement benefit is reduced ½ percent for each month the participant is under age 60. This reduction is waived for participants having 30 or more years of credited service.

The Forest Preserve District's payroll for employees covered by the Plan for the year ended December 31, 1999 was \$29,563,392. At December 31, 1999, membership in the Fund was as follows:

Retirees and beneficiaries currently receiving benefits	<u>374</u>
Current employees-	
Vested	359
Nonvested	<u>477</u>
Total	<u>836</u>

At December 31, 1999 investments in excess of 5% of the Fund's net assets consisted of the following:

**Mutual funds:**

NTQA EB S&P 500 Equity Index B	\$8,065,630
NTQA EB G/C Bond Index B	12,236,128
NTQA EB U.S. Marketcap Equity Index B	17,350,832
Other	7,105,375

Employer contributions are funded primarily through a Forest Preserve District tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.30.

The current actuarial studies of the Fund dated June 19, 2000 for the year ended December 31, 1999 indicated a minimum annual contribution by the Forest Preserve District to maintain the Fund on a minimum valuation basis to be \$3,741,475. This minimum annual contribution based on an annual payroll of \$29,563,392 for 836 active members during 1999.

The entry Age Normal Cost Method is the actuarial funding method used in determining the contributions necessary to accumulate sufficient assets to pay benefits when due. Under GASB 25, the initial unfunded liability that existed as of January 1, 1976 must be amortized over a period of forty years. This method of financing is termed Normal Cost Plus 40 Year Amortization Method. Previously, the Normal Cost Plus Interest Method was used in financing the unfunded liability. Under the Normal Cost Plus Interest Method, the unfunded liability was recognized but not amortized.

1999 contributions made to the Fund were sufficient to meet actuarial contribution requirements determined by an actuarial valuation, as follows:

	<u>Amount</u>	<u>Percentage of Current Covered Payroll</u>
Employer (District) contributions (1)	\$ 3,895,087	14.18%

Employee contributions (2)	2,973,412	10.83
Total	<u>\$ 6,868,499</u>	<u>25.01%</u>
Covered payroll – prior year	<u>\$29,563,392</u>	

- (1) Tax levy by the Forest Preserve District.
- (2) Includes contributions made by the Forest Preserve District on behalf of participants receiving disability.

Employee contributions have been determined as follows:

Actuarial valuation date	December 31, 1999
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period (remaining)	40 years (open period)
Asset valuation method	5 year Smoothed Average Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases:	
Inflation	3.5%
Seniority merit	2.0%
Postretirement benefit increases	3.0% compounded per year for employee and widow(er) annuitants
Postretirement health insurance	5.0% compounded per year

Six-year trend information may be found in the Annual Report of the Forest Preserve Pension Trust Fund. The Annual Pension Cost and related information for the three most recent fiscal years is as follows:

<b>Year Ended December</b>	<b>Employer Required Contribution, Normal Cost Plus 40 Year Level Dollar Amortization (ARC) (a)</b>	<b>Required Statutory Basis (1) (b)</b>	<b>Actual (2) (c)</b>	<b>Percent of ARC Contributed (c/a)</b>	<b>Net Pension Obligation (NPO) (3)</b>
1997 (4)	\$2,087,989	\$3,156,154	\$3,156,882	151.19%	\$(10,234,632)
1998 (4), (5)	3,039,736	3,410,486	3,410,493	112.20	(10,729,305)
1999	3,713,401	3,639,020	3,895,087	104.89	(11,192,845)

- (1) Tax levy by the Forest Preserve District after 1.8% overall loss (2.7% overall loss in 1998).
- (2) Net tax levy by the Forest Preserve District plus miscellaneous income.
- (3) Negative balance as the District has no pension related liability under GASB 27.
- (4) Changes in asset valuation, actuarial assumptions, employee benefits, and funding method result in changes to the expected employee and employer contributions. The scale of these changes will cause any comparison to previous years to have little practical meaning.
- (5) Beginning in 1998 estimates for employee contributions include estimated optional contributions.

## 11. DEFICIT FUND BALANCES

The following details deficit fund balances at November 30, 2000 (December 31, 1999, for the Forest Preserve District):

Special Revenue Funds-	
Forest Preserve District--General	\$ (16,243,773)
Chief Judge Juvenile Justice	(128,515)
Capital Project Funds-	
Government Management and	
Supporting Services	(70,752,191)
Internal Service Fund-	
Self Insurance	(251,470,371)

The deficit in the Special Revenue Funds--Forest Preserve District – General Fund is caused by recognizing property tax levies in the year when they become available as required by GAAP. Current-year operations of the funds are financed through loans from the working cash fund.

The deficit in the Capital Projects Funds will be financed through future bond issues.

The deficit in the Internal Service Fund will be financed through future operating transfers.

## 12. CONTRIBUTED CAPITAL

The County has contributed the construction and acquisition of significant capital assets to the operations of the Health Facilities. Capital expenditures are recorded as additions to the property and contributed capital accounts of the Health Facilities in the year in which such expenditures are incurred. Depreciation and amortization are recorded against the contributed capital accounts. A reconciliation of the Health Facilities contributed capital account is as follows:

Balance, November 30, 1999	\$ 366,656,295
2000 contributed capital assets	155,403,121
2000 depreciation	(25,005,087)
Balance, November 30, 2000	<u>\$ 497,054,329</u>

## 13. NON-GOVERNMENTAL LIMITED OBLIGATION DEBT ISSUES

The following information represents outstanding limited obligation non-government debt issues which bear the name of the County. These debt issues are not obligations of the County.

### Mortgage Revenue Bonds

In prior years, the County issued mortgage revenue bonds relating to lending programs secured by first mortgage loans on eligible residences. The bonds do not represent a liability of the County.

### Industrial Development Bonds

Beginning in August, 1984, the County approved the issuance of 12 Industrial Development Bond issues for the purpose of assisting private developers in financing various capital projects. These bonds, and the related interest, are solely payable from revenues arising from the capital projects. The bonds and interest therein do not constitute an indebtedness of the County.

## **14. CONTINGENT LIABILITIES**

The County participates in a number of Federal and state grant programs. The County's participation in these programs is subject to financial and compliance audits by the grantors or their representatives. In management's opinion, expenditures that may be disallowed because of the grantors' audits would not be material.

## **15. FOREST PRESERVE FUNDS**

### **Capital Projects (Construction and Development) Funds**

State Statutes permit the Capital Projects (Construction and Development) Funds to spend the proceeds of a tax levy over a five-year period. The fund balance available for other purposes includes the unexpended appropriation of 1995 to 1999 tax levies. Any unexpended appropriation at the end of five years is transferred to the General (Corporate) Fund.

## **16. HEALTH FACILITIES FUNDS**

Certain expenses incurred by various departments of the County in the operation of the Health Facilities have been recorded in the financial statements of the Health Facilities (e.g., Data Processing, Purchasing and Auditing) as an expense, with a corresponding credit to operating transfer in for the subsidy. These expenses amounted to \$8,183,816 in fiscal year 2000 and are also included as expenditures of the General Fund. Since the allocation of these expenditures between the functions of the General Fund is not known, total expenditures are reduced on the accompanying combined statement of revenues, expenditures and changes in fund balance by the line item entitled "Amounts incurred in the above accounts for the Enterprise Fund" with an offsetting debit to operating transfer out. These expenses are included in the cost reimbursement reports submitted by the Health Facilities to the State and Federal health care intermediary.

In addition, the County made contributions of \$55,109,689 for fiscal year 2000, to the Cook County Employees' and Officers' Annuity and Benefit Fund, on behalf of the Health Facilities, which the County is not reimbursed for, but is included in the cost reimbursement reports.

Construction-in-progress and other capital expenditures affecting the Health Facilities are accounted for in various Capital Project Funds maintained by the Cook County Comptroller. These expenditures amounted to \$155,403,121 for fiscal year 2000. The corresponding long-term debt which finances these expenditures is reflected as a liability in the General Long-Term Obligations Account Group maintained by the Cook County Comptroller, since they are obligations of applicable Capital Project Funds and Debt Service Fund of the County and not the Health Facilities Funds. The Health Facilities records construction-in-progress expenditures as additions to the construction in progress and the contributed capital accounts of its books in the year the expenditures are accrued. Interest on construction borrowings is either capitalized or included as expense on the Health Facilities' cost report.

## **17. AGENCY FUNDS**

Included in the agency funds of the County Treasurer at November 30, 2000, are assets and an offsetting liability of \$37.5 million relating to amounts held for the Torrens Indemnity Fund. In November 2000, the County Board of Commissioners approved a resolution to 1) retain approximately \$6.6 million in the Torrens Indemnity Fund to satisfy estimated current and future claims, 2) establish a Lead Poisoning Prevention Fund and transfer approximately \$14.2 million plus additional interest amounts as defined in the resolution from the Torrens Indemnity Fund to the Lead Poisoning Prevention Fund, and 3) transfer any remaining amounts in the Torrens Fund

to the County's General Fund after deducting the \$6.6 million and amounts for the Lead Poisoning Prevention Fund.

As of November 30, 2000, the County accrued \$15.0 million of revenue in the County's Corporate Fund for amounts to be transferred from the Torrens Fund resulting from the resolution. The actual transfer of funds was made during January 2001.

## **18. SUBSEQUENT EVENTS**

### **State Treasurer Claim -**

On January 3, 2001, the Cook County Treasurer received a demand from the Illinois State Treasurer for certain monies, which are claimed to be subject to the Illinois Uniform Disposition of Unclaimed Property Act. The Cook County State's Attorney has reviewed the State Treasurer's demand and has concluded that the claims are generally without merit with the exception of amounts related to certain warrants outstanding. However, the County believes that warrant list used in establishing the amounts claimed is inaccurate and that the demand and listing are excessive and incorrect. The County presently maintains a cash balance and an offsetting liability of \$2,317,335 related to outstanding warrants. The County does not believe that the final resolution of the amounts claimed will have a material effect on the County's financial statements.

### **Settlement Agreement -**

Included in the agency funds of the County Treasurer at November 30, 2000 are assets and an offsetting liability of \$45.4 million relating to property tax and penalty assessments on certain Federal buildings from 1977 through 1993. As a result of a settlement agreement entered into on January 12, 2001 by the Federal government and representatives of Cook County, an additional \$33.2 million is to be deposited by the Federal government and distributed to taxing authorities (including the County) within Cook County. The disposition of the remaining funds that represent penalties and interest is expected to be made to Cook County.

### **Sale of General Obligation Bonds -**

On February 22, 2001, the County issued its \$375 million Series 2001A General Obligation bonds to finance the costs of certain capital improvement projects, including the purchase of capital equipment, and to refund the County's \$110.5 million Series 1996 General obligation Variable Rate Demand Bonds due December 1, 2001.

## COOK COUNTY, ILLINOIS

### REQUIRED SUPPLEMENTAL INFORMATION

#### SCHEDULES OF FUNDING PROGRESS

November 30, 2000

##### County Pension Plan

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c )	UAAL as a Percentage of Covered Payroll (b-a)/c
1997 (1), (2)	\$4,002,726,492	\$4,426,784,225	\$424,057,733	90.42%	\$1,068,038,496	39.70%
1998 (1), (2)	4,535,296,600	4,942,155,173	406,858,573	91.77	1,066,458,432	38.15
1999	5,273,208,730	5,555,661,795	282,453,065	94.92	1,162,538,616	24.30

(1) Change in actuarial assumptions

(2) Change in benefits

##### Forest Preserve District Plan

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c )	UAAL as a Percentage of Covered Payroll (b-a)/c
1997 (1), (2)	\$123,397,282	\$121,555,072	\$(1,842,210)	101.52%	\$27,362,280	(6.73)%
1998 (1), (2)	140,121,473	136,366,759	(3,754,714)	102.75	27,464,880	(13.67)
1999	167,074,543	158,528,016	(8,546,527)	105.39	29,563,392	(28.91)

(1) Change in actuarial assumptions

(2) Change in benefits

##### Source of Information

The information above was taken from the actuarial statements prepared for each of the respective plans.

## **APPENDIX B**

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**



## DEMOGRAPHIC AND ECONOMIC INFORMATION

Except as otherwise noted, the economic and demographic data listed below were collected and published by the Cook County Department of Planning and Development, Office of Economic Development.

### Population

	<u>2000</u>	<u>1990</u>	<u>1980</u>
Chicago	2,896,016	2,783,786	3,005,072
<b>Cook County</b>	<b>5,376,741</b>	<b>5,105,067</b>	<b>5,253,655</b>
Illinois	12,419,293	11,430,602	11,426,518

Source: United States Department of Census

### Per Capita Income

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Chicago <sup>(1)</sup>		\$34,743	\$33,406	\$31,452	\$29,940
<b>Cook County<sup>(1)</sup></b>		<b>33,398</b>	<b>32,131</b>	<b>30,261</b>	<b>28,788</b>
Illinois	\$32,259	31,138	30,006	28,356	27,005
USA	29,451	28,546	27,321	25,874	24,651

Source: United States Department of Commerce, Bureau of Economic Analysis

<sup>(1)</sup> 2000 figures not yet available for Chicago or the County.

### Unemployment Rates

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
Chicago	5.6%	5.4%	5.6%	6.0%	6.7%	6.7%	7.0%	9.0%	9.0%	8.8%
<b>Cook County</b>	<b>4.7</b>	<b>4.4</b>	<b>4.7</b>	<b>4.9</b>	<b>5.5</b>	<b>5.5</b>	<b>5.9</b>	<b>7.7</b>	<b>7.8</b>	<b>7.4</b>
Illinois	4.4	4.3	4.4	4.7	5.3	5.2	5.7	7.4	7.5	7.1
USA	4.0	4.2	4.5	4.9	5.4	5.6	6.1	6.9	7.5	6.8

Source: United States Department of Labor, Bureau of Labor Statistics

**Cook County, Illinois**  
**Top Ten Property Taxpayers — Assessed Value**  
**Fiscal Year 2000**  
(Dollars in thousands; Unaudited)

Name	Dollar Amount
1. Buck Company	\$ 177,940
2. BRE Randolph Drive Leasing	114,990
3. Shorenstein Realty	93,542
4. Industry Consulting	93,188
5. Monroe & Adams Dela Inc.	90,891
6. Sears Roebuck (Corporate Center)	87,944
7. Taulman Company, Inc.	66,427
8. NACA Ltd Partners	63,103
9. Madison Two Associates	60,933
10. L. Burnett M. Breslin	60,043
Total	<u>\$909,001</u>

Source: Cook County Clerk's Office

**Cook County, Illinois**  
**Top Ten Property Taxpayers — Assessed Value**  
**Fiscal Year 1999**  
(Dollars in thousands; Unaudited)

Name	Dollar Amount
1. Buck Company	\$ 141,739
2. Randolph Drive Leasing	100,881
3. Sears Roebuck (Corporate Center)	86,044
4. First Chicago Bank	85,293
5. Shorenstein Realty	75,310
6. Monroe & Adams Dela, Inc.	73,194
7. Taulman Company, Inc.	65,427
8. Taxpayer	60,077
9. NACA Ltd Partners	59,969
10. Vickie L. Norman	53,496
Total	<u>\$801,430</u>

Source: Cook County Clerk's Office

## Top Employers For Cook County, Illinois (By Number of Employees)

### Public Employers

	<u>2000</u>
1 U.S. Government	78,000
2. Chicago Public Schools	44,798
3. City of Chicago	41,911
4. Cook County	26,847
5. U.S. Postal Service	24,800
	<u>1999</u>
1 U.S. Government	85,000
2. Chicago Public Schools	45,024
3. City of Chicago	41,658
4. Cook County	26,787
5. U.S. Postal Service	25,575

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Source: Crain's Chicago Business

### Private Employers

	<u>2000</u>
1. Jewel-Osco Inc.	38,954
2. Motorola, Inc.	24,000
3. Advocate Health Care	22,198
4. United Airlines	22,100
5. Ameritech Corporation	20,000
	<u>1999</u>
1. Jewel-Osco Inc.	38,880
2. Motorola, Inc.	23,500
3. Advocate Health Care	22,045
4. Ameritech Corporation	20,000
5. Dayton Hudson	19,241

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Source: Crain's Chicago Business

## **APPENDIX C**

### **FORM OF OPINION OF CO-BOND COUNSEL**

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL  
[LETTERHEAD OF CO-BOND COUNSEL]  
[TO BE DATED CLOSING DATE]

We have acted as co-bond counsel in connection with the issuance by The County of Cook, Illinois (the “*County*”), of its Taxable General Obligation Variable Rate Bonds, Series 2002A, in the aggregate principal amount of \$123,800,000, dated the date hereof (the “*Series 2002A Bonds*”). The Series 2002A Bonds are issued pursuant to the powers of the County as a “home rule unit” under the provisions of the 1970 Constitution of the State of Illinois and under and pursuant to an ordinance adopted by the Board of Commissioners of the County on February 21, 2002 (the “*Ordinance*”), and an Indenture of Trust, dated as of March 1, 2002 (the “*Indenture*”), by and between the County and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the “*Trustee*”). The Series 2002A Bonds are being issued in fully registered form, mature on November 1, 2023, and bear interest as described in the Indenture. As and to the extent provided in the Indenture, the manner of determining the interest rate on the Series 2002A Bonds may be changed from time to time to a Weekly Rate, a CP Rate or an Adjustable Rate (each as defined in the Indenture).

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of Series 2002A Bonds tendered for purchase as described in the Indenture, the County has delivered to the Trustee a Standby Bond Purchase Agreement dated as of March 1, 2002 (the “*Liquidity Facility*”), among the County, the Trustee and Dexia Credit Local, acting through its New York Agency (the “*Liquidity Provider*”), and pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of Series 2002A Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any Series 2002A Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be George K. Baum & Company (the “*Remarketing Agent*”), pursuant to a Remarketing Agreement, dated as of March 1, 2002, between the County and the Remarketing Agent (the “*Remarketing Agreement*”).

Subject to the terms and conditions set forth in the Indenture, the Series 2002A Bonds are subject to optional and mandatory redemption and mandatory and optional tender prior to maturity.

In our capacity as bond counsel, we have examined, among other things, the following:

- (a) a certified copy of the proceedings of the Board of Commissioners of the County adopting the Ordinance and authorizing, among other things, the execution and delivery of the Series 2002A Bonds, the Indenture, the Liquidity Facility and the Remarketing Agreement;
- (b) a certified copy of the Ordinance, and executed counterparts of the Indenture, the Liquidity Facility and the Remarketing Agreement;
- (c) a form of Series 2002A Bond; and
- (d) such other documents and showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing, we are of the opinion as follows:

1. The County is a home rule unit as defined by Article VII of the 1970 Constitution of the State of Illinois and is a county and unit of local government of the State of Illinois pursuant to the laws of the State of Illinois.
2. The County has full power and authority and has taken all necessary action to adopt the Ordinance and to execute and deliver the Indenture, the Liquidity Facility and the Remarketing Agreement (collectively, the “*Agreements*”).
3. Assuming the due authorization, execution and delivery of the Agreements by the other parties thereto and the binding effect of the Agreements on the respective parties thereto, the Ordinance and the Agreements are the valid and binding obligations of the County, enforceable according to their terms, except the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and except as to the provisions of the Liquidity Facility in which the County is obligated to indemnify or provide indemnification or contribution for, in any way, any party, as to which we express no opinion.
4. The Series 2002A Bonds are the valid and binding general obligations of the County and all taxable property in the County is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Series 2002A Bonds and the enforceability of the Series 2002A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.
5. The County, under the Indenture, has created with the Trustee a trust fund entitled the “Bond Fund” for the Series 2002A Bonds into the Series 2002A Account of which certain moneys of the County are to be deposited pursuant to the Indenture, which moneys have been validly pledged to the holders of the Series 2002A Bonds.
6. Under present law, interest on the Series 2002A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Series 2002A Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Series 2002A Bonds.

In rendering this opinion, we have relied upon certifications of the County with respect to certain material facts solely within the County’s knowledge.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

## **APPENDIX D**

### **CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

### Certain Definitions

*The following are definitions of certain terms used in the Indenture and this Official Statement. This glossary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. All references herein to terms defined in the Indenture are qualified in their entirety by the definitions set forth in the Indenture.*

*“Adjustable Rate”* means the interest rate per annum from time to time borne by the Series 2002A Bonds when in the Adjustable Rate Mode, as established in accordance with the provisions described in this Official Statement under the heading “THE SERIES 2002A BONDS—Interest on the Series 2002A Bonds—Adjustable Rate Provisions.”

*“Adjustable Rate Conversion Date”* means each Interest Payment Date on which Series 2002A Bonds, upon having been converted to the Adjustable Rate Mode from another Mode, shall first begin to bear interest at an Adjustable Rate in accordance with the terms of the Indenture, and each subsequent Adjustable Rate Reset Date.

*“Adjustable Rate Interest Payment Date”* means (i) with respect to an Adjustable Rate Period of at least six calendar months’ duration, the first day of the sixth calendar month following the Adjustable Rate Conversion Date and the first day of each successive sixth calendar month, if any, of such Adjustable Rate Period; provided that, the final Adjustable Rate Interest Payment Date with respect to any such Adjustable Rate Period shall be the first Business Day immediately following the expiration of such Adjustable Rate Period, or the Stated Maturity (if such Adjustable Rate Period extends to the Stated Maturity), and (ii) with respect to an Adjustable Rate Period of less than six calendar months’ duration, the first Business Day of the calendar month immediately following the Adjustable Rate Period or Stated Maturity (if such Adjustable Rate Period extends to Stated Maturity).

*“Adjustable Rate Mode”* means the Mode in which the Series 2002A Bonds bear interest at an Adjustable Rate.

*“Adjustable Rate Period”* means any period of not less than one month in duration, commencing on an Adjustable Rate Conversion Date or an Adjustable Rate Reset Date, as appropriate, and ending on the earlier to occur of the Maturity of Series 2002A Bonds or the day preceding the subsequent Conversion Date or Adjustable Rate Reset Date, as appropriate.

*“Adjustable Rate Reset Date”* means an Adjustable Rate Interest Payment Date on which the Series 2002A Bonds begin to bear interest at a new Adjustable Rate in accordance with the terms of the Indenture.

*“Agency Obligation”* means obligations issued or guaranteed by any of the following agencies, provided that such obligations are backed by the full faith and credit of the United States of America: Export-Import Bank of the United States direct obligations or fully guaranteed certificates of beneficial ownership; Federal Financing Bank; Farmers Home Administration certificates of beneficial ownership; Federal Housing Administration Debentures; Government National Mortgage Association guaranteed mortgage-backed bonds; General Services Administration participation certificates; United States Maritime Administration obligations guaranteed under Title XI; New Communities Debentures; United



States Public Housing Notes and Bonds; and United States Department of Housing and Urban Development Project Notes and Local Authority Bonds.

*“Alternate Liquidity Facility”* means an alternate liquidity facility delivered in accordance with the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Conversion Options–Liquidity Facility Required.”

*“Authorized Denomination”* means (i) with respect to Series 2002A Bonds in a Weekly Rate Mode, \$100,000 and any integral multiple thereof; (ii) with respect to Series 2002A Bonds in a CP Rate Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof; (iii) with respect to Series 2002A Bonds in an Adjustable Rate Period extending for less than one year, \$100,000 and any integral multiple thereof; and (iv) with respect to Series 2002A Bonds in an Adjustable Rate Period extending for one year or more, \$5,000 or any integral multiple thereof.

*“Automatic Termination Event”* means those events as described in the Liquidity Facility which permit the Liquidity Provider to immediately terminate its obligation to provide funds to purchase Series 2002A Bonds without notice or other condition.

*“Bank Bonds”* means Series 2002A Bonds (or beneficial interests therein) purchased with moneys provided pursuant to the Liquidity Facility and the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Funds for Purchase Price of Series 2002A Bonds; Delivery of Series 2002 Bonds,” but excluding Series 2002A Bonds no longer to be considered Bank Bonds pursuant to the Liquidity Facility.

*“Beneficial Owner”* means the person in whose name a Series 2002A Bond is recorded as beneficial owner of such Series 2002A Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such person’s subrogee.

*“Book-Entry System”* means a book-entry system established and operated for the recordation of Beneficial Owners of the Series 2002A Bonds pursuant to the Indenture.

*“Business Day”* means any day which is not (a) a Saturday, a Sunday or, in the City of New York, New York, or the City of Chicago, Illinois (or, if different, in the city in which the principal corporate trust office of the Trustee, the principal corporate trust office of the Tender Agent, the principal corporate trust office of the Remarketing Agent or the office of the Liquidity Provider at which demands under the Liquidity Facility are to be honored is located), a day on which banking institutions are authorized or required by law or executive order to close, or (b) a day on which the New York Stock Exchange is closed.

*“Closing Date”* means the date the Series 2002A Bonds are delivered to the Underwriters against payment therefor pursuant to the Contract of Purchase as authorized and defined in the Bond Ordinance.

*“Code”* means the Internal Revenue Code of 1986, as amended.

*“Conversion Date”* means an Adjustable Rate Conversion Date, a Weekly Rate Conversion Date or a CP Rate Conversion Date, as appropriate.

*“CP Rate”* means the interest rate per annum on each Series 2002A Bond established in accordance with the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–CP Rate Provisions.”

*“CP Rate Conversion Date”* means each Interest Payment Date on which the Series 2002A Bonds, having been converted to the CP Rate Mode from another Mode, first begin to bear interest at a CP Rate in accordance with the terms hereof.

*“CP Rate Interest Payment Date”* means with respect to each Series 2002A Bond, the Business Day which immediately succeeds the last day of any CP Rate Period applicable to such Bond.

*“CP Rate Mode”* means the interest rate Mode in which Series 2002A Bonds bear interest at the CP Rate.

*“CP Rate Period”* means with respect to each Series 2002A Bond, while such Series 2002A Bond is in the CP Rate Mode, a period (a) which begins on a CP Rate Conversion Date or a CP Rate Reset Date, as appropriate, and (b) has a duration which shall have been set by the Remarketing Agent as provided in the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–CP Rate Provisions”, of any number of days from 1 day to 270 days, and (c) which ends on a day which immediately precedes a Business Day, falls on or prior to the Stated Maturity of the Series 2002A Bonds and complies with each of the limitations described in this Official Statement under the heading “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–CP Rate Provisions.”

*“CP Rate Reset Date”* means with respect to each Series 2002A Bond, each CP Rate Interest Payment Date on which commences a new CP Rate Period applicable to such Series 2002A Bond, whereon a new CP Rate which shall have been set pursuant to the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–CP Rate Provisions” shall first become effective.

*“Credit Facility”* means any letter of credit, bank bond purchase agreement, revolving credit agreement, surety bond, bond insurance policy or other agreement or instrument under which any Person (other than the County) undertakes to make or provide funds to make payment of the principal or premium, if any (if at the election of the County the Credit Facility secures premium payable upon an optional redemption of Series 2002A Bonds supported by such Credit Facility), and interest on Series 2002A Bonds, delivered to and received by the Trustee.

*“Defeasance Obligation”* means any Federal Obligation or any Agency Obligation, in each case not subject to redemption at the option of the issuer.

*“Differential Interest Amount”* means the amount of interest which may be owed on a remarketed Bank Bond (a Series 2002A Bond previously purchased by the Liquidity Provider) in excess of the purchase price to be paid on such remarketed Series 2002A Bond by the purchaser.

*“Federal Obligation”* means any direct obligation of, or any obligation the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

*“Initial Liquidity Facility”* means the Standby Bond Purchase Agreement dated as of March 1, 2002, by and among the Liquidity Provider, the County and the Trustee, including any extensions thereof and any amendments or supplements thereto executed in accordance with the Indenture, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee, in accordance with the terms thereof, up to the Required Amount of the Liquidity Facility, to pay such Series 2002A Bonds tendered or required to be tendered for purchase pursuant to the Indenture.

*“Interest Payment Date”* means as follows: (a) if other than a Bank Bond, an Adjustable Rate Interest Payment Date, a Weekly Rate Interest Payment Date, a CP Rate Interest Payment Date, each date upon which Series 2002A Bonds shall be subject to mandatory tender for purchase pursuant to the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Mandatory Tender,” and any date upon which the outstanding principal amount of all of the Series 2002A Bonds becomes due, or (b) if a Bank Bond, each date set forth in the Liquidity Facility for the payment of interest on Bank Bonds purchased pursuant to such Liquidity Facility.

*“Liquidity Facility”* means the Initial Liquidity Facility or any Alternate Liquidity Facility then in effect.

*“Liquidity Provider”* means with respect to the Initial Liquidity Facility, Dexia Crédit Local, acting through its New York Agency, as the issuer of the Initial Liquidity Facility, and its successors in such capacity and its assigns; or, if any Alternate Liquidity Facility is issued, the issuer or issuers thereof, and its or their successor or successors in such capacity and its or their assign or assigns.

*“Long-Term Mode”* means each Adjustable Rate Period of greater than one year’s duration.

*“Maximum Rate”* means the maximum rate or rates of interest per annum payable with respect to Series 2002A Bonds as follows: (a) if other than a Bank Bond, the lesser of (i) 10% per annum, or (ii) if a Liquidity Facility is then in effect, the maximum interest rate stated in such Liquidity Facility for providing payment of interest on Series 2002A Bonds or (b) if a Bank Bond, the Bank Rate.

*“Maturity”* means the date the principal of any Series 2002A Bond becomes due and payable either by redemption or at Stated Maturity, but not by a declaration or event under the Liquidity Facility.

*“Mode”* means any of the interest rate modes which may exist from time to time with respect to any Series 2002A Bond, including the Adjustable Rate Mode, the Weekly Rate Mode, or the CP Rate Mode, as appropriate.

*“Notice of Termination Date”* means the date on which, in the case of certain Events of Default under the Initial Liquidity Facility, the Liquidity Provider may give written notice of such Event of Default and termination of the Initial Liquidity Facility.

*“Outstanding” or “Series 2002A Bonds outstanding” or “Series 2002A Bonds then outstanding,”* at the time in question, means all Series 2002A Bonds which have been executed and delivered by the County and authenticated by the Trustee or the Tender Agent under the Indenture, except:

(a) Series 2002A Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Series 2002A Bonds paid or deemed to be paid pursuant to the provisions of the Indenture described in this Official Statement under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Discharge of Indenture”;

(c) Series 2002A Bonds in lieu of or in exchange for which other Series 2002A Bonds shall have been executed and delivered by the County and authenticated by the Trustee or the Tender Agent pursuant to the provisions of the Indenture relating to the execution and authentication of Series 2002A Bonds, registration and exchange of Series 2002A Bonds, cancellation of Series 2002A Bonds and partial redemptions; and

(d) Undelivered Series 2002A Bonds (not including Bank Bonds delivered in exchange therefor).

*“Qualified Investments”* means:

(a) Federal Obligations;

(b) Deposits in interest-bearing accounts or certificates of deposit or similar arrangements issued by any bank, trust company, national banking association, savings bank or savings and loan association, including the Trustee, which deposits are (i) insured or secured as required by the Indenture or (ii) insured by an insurance policy or surety bond issued by an insurance company rated in the highest rating category by Fitch, Moody’s and S&P, or by any two of said rating agencies;

(c) Bonds or notes issued by any State of the United States of America, or any political subdivision thereof, that are rated in either of the two highest rating categories by Fitch, Moody’s and S&P, or by any two of said rating agencies;

(d) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System senior debt obligations; Federal Home Loan Mortgage Corporation participation certificates and senior debt obligations; Federal National Mortgage Association mortgage backed securities and senior debt obligations; and the interest component of Resolution Funding Corporation obligations in book-entry form, which have been stripped by request of the Federal Reserve Bank of New York;

(e) Agency Obligations;

(f) Repurchase agreements entered into with financial institutions that are either (i) banks, trust companies or national banking associations that are rated “A” or higher by Moody’s, Fitch and S&P, or by any two of said rating agencies, or (ii) a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that each such repurchase agreement is secured as provided in the Indenture;

(g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and having a rating by S&P of “AAAm-G,” “AAAm” or “Aam”;

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s, “F-1” or better by Fitch, and “A-1” or better by S&P, or by any two of said rating agencies;

(i) The Public Treasurers’ Investment Pool of the State of Illinois;

(j) Federal Funds or bankers’ acceptances, with a maximum term of one year, of any bank that has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-3” or better from Moody’s, “F-2” or “A” or better by Fitch, and “A-1” or “A” or better by S&P, or by any two of said rating agencies; and

(k) Investment agreements, including without limitation repurchase agreements not described in clause (f) above, with a bank, investment bank, financial institution or insurance company provided that such bank, investment bank, financial institution or insurance company maintains an office in the United States and such bank, investment bank, financial institution or

insurance company or whose guarantor is rated in one of the three highest rating categories by Moody's, Fitch, and S&P, or by any two of said rating agencies, or if such institution is not so rated, that the agreement is collateralized by securities described in clause (a), (d) or (e) above, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase securities) at least equal to the principal amount invested pursuant to the agreement.

*"Rating Agencies"* means Fitch Ratings, Moody's Investors Service and/or Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., according to which of such rating agencies then rates the Series 2002A Bonds; and *provided* that if none of such rating agencies then rates the Series 2002A Bonds, the term *"Rating Agencies"* shall refer to any national rating agency (if any) which provides such rating. If at any time only one Rating Agency then rates the Bonds, *"Rating Agencies"* shall at that time mean only such Rating Agency as is then rating the Bonds.

*"Record Date"* means (a) with respect to any Weekly Rate Interest Payment Date, CP Rate Interest Payment Date or Adjustable Rate Interest Payment Date for an Adjustable Rate Period of less than six months in duration, the close of business on the Business Day next preceding such Interest Payment Date and (b) with respect to any Adjustable Rate Interest Payment Date for an Adjustable Rate Period of at least six months in duration, the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date.

*"Securities Depository"* means The Depository Trust Company, a New York limited trust company, its successor, or a successor depository qualified to clear securities under applicable state and federal law.

*"Short-Term Mode"* means the CP Rate Mode, the Weekly Rate Mode and an Adjustable Rate Mode having an Adjustable Rate Period of one year or less.

*"Stated Maturity"* means November 1, 2023.

*"Tender Agent"* means the Tender Agent appointed in accordance with the Indenture if the Bonds are not then held under a Book-Entry System. *"Principal Office"* of the Tender Agent means the office thereof designated in writing to the County, the Trustee, the Liquidity Provider and the Remarketing Agent.

*"2002A Pledged Taxes"* means the direct annual taxes levied without limitation as to rate or amount in or pursuant to the Bond Ordinance or the Indenture for the Series 2002A Bonds and deposited into the Series 2002A Account of the Bond Fund pursuant to the Indenture.

*"Undelivered Bonds"* means, during any period the Series 2002A Bonds are not held under the Book-Entry System, Series 2002A Bonds for which notice of optional tender or mandatory tender shall have been given, for which available moneys sufficient to pay the purchase price have been deposited with the Tender Agent on or before the purchase date of such Series 2002A Bonds, but which Series 2002A Bonds were not delivered to the Tender Agent on or before such purchase date.

*"Weekly Interest Period"* means, while the Series 2002A Bonds are in the Weekly Rate Mode, each period from and including Wednesday of each week (and, if the first day of any Weekly Rate Period is not a Wednesday, the Weekly Rate Conversion Date on which such Weekly Rate Period commences) through and including the following Tuesday, whether or not such days are Business Days. In addition, and notwithstanding the foregoing, the initial Weekly Interest Period shall commence on the Closing Date and shall end on the following Tuesday.

“*Weekly Rate*” means the interest rate per annum on the Series 2002A Bonds established in accordance with the provisions of the Indenture described in this Official Statement under the heading “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–Weekly Rate Provisions.”

“*Weekly Rate Conversion Date*” means each date on which the Series 2002A Bonds, having been converted to the Weekly Rate Mode from another Mode, first begin to bear interest at a Weekly Rate in accordance with the terms hereof, and includes any date of an automatic conversion to the Weekly Rate Mode described in this Official Statement under the headings “THE SERIES 2002A BONDS–Interest on the Series 2002A Bonds–CP Rate Provisions” and “–Adjustable Rate Provisions” and “– Purchase of Series 2002A Bonds–Mandatory Redemption.”

“*Weekly Rate Interest Payment Date*” means the first Business Day of each month during which the Series 2002A Bonds are in the Weekly Rate Mode, commencing with the first Business Day of the month following the Weekly Rate Conversion Date; *provided* that the first Weekly Rate Interest Payment Date shall be the first business day of April, 2002.

“*Weekly Rate Mode*” means the Mode in which the Series 2002A Bonds bear interest at a Weekly Rate.

“*Weekly Rate Period*” means the period from the Closing Date, if applicable, or any Weekly Rate Conversion Date to the earlier of the next following Conversion Date or the Maturity of the Series 2002A Bonds.

### **Summary of Certain Provisions of the Indenture**

*The following is a summary of certain provisions of the Indenture. This summary is not a complete recital of the terms of the Indenture and reference is made to the Indenture in its entirety.*

### **Payment of the Series 2002A Bonds**

Pursuant to the Indenture, the County covenants that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on the Series 2002A Bonds on the dates and in the manner provided in the Indenture. The Series 2002A Bonds are a general obligation of the County, for which the full faith and credit of the County are irrevocably pledged, and are payable from the 2002A Pledged Taxes.

### **Bond Fund**

There shall be deposited into the Series 2002A Account of the Bond Fund when received: (a) certain proceeds of the Series 2002A Bonds in an amount sufficient to pay interest on the Series 2002A Bonds accruing through March 27, 2005 (calculated at an interest rate of 5% per annum); (b) all receipts of the 2002A Pledged Taxes or other funds from the County; (c) all moneys required to be so deposited in connection with any redemption of Series 2002A Bonds; (d) any amounts directed to be transferred into the Series 2002A Account of the Bond Fund pursuant to any provision of the Indenture or the Tax Agreement; and (e) all other moneys when received by the Trustee which are required to be deposited into the Series 2002A Account of the Bond Fund or which are accompanied by directions that such moneys are to be paid into the Bond Fund.

There is further created a special account of the Bond Fund designated “Bank Bond Special Deposit Account” (the “*Special Account*”). There shall be deposited into the Special Account all moneys required to be deposited into the Bond Fund as a condition or covenant relating to the existence (by

purchase or otherwise, as provided in the Liquidity Facility) of Bank Bonds, including the amounts necessary to pay certain amounts due under the Liquidity Facility and any Differential Interest Amount thereon. The Special Account and moneys therein shall be held preferentially for the payment of Bank Bonds, first and prior to payment of other Series 2002A Bonds.

On the Business Day immediately preceding each regularly scheduled Interest Payment Date; on the Business Day immediately preceding the Maturity of any Series 2002A Bonds; and on the Business Day preceding any Sale Date for remarketing of Bank Bonds upon which a Differential Interest Amount may be due, the County shall pay to the Trustee and the Trustee shall deposit into the Series 2002A Account of the Bond Fund from amounts received from or on behalf of the County, an amount (i) which is sufficient for the purpose of paying the principal, premium, if any, and interest coming due and payable on the Series 2002A Bonds on such Interest Payment Date or at Maturity, (ii) which is sufficient to pay such Differential Interest Amount on such Sale Date, or (iii) which is equal to the amount of the interest that has accrued, or will accrue during that month, on Series 2002A Bonds in an Adjustable Rate Mode; *provided* that no such deposits need be made to the extent that there are moneys on deposit in the Series 2002A Account of the Bond Fund that are available to pay the principal, premium, if any, Differential Interest Amount and interest on such Series 2002A Bonds, all as provided in the Indenture.

Any amounts remaining in the Series 2002A Account of the Bond Fund, after payment or provision for payment in full of the Series 2002A Bonds in accordance with the Indenture, the fees, charges and expenses of the Trustee or any co-trustee, the Tender Agent and the Remarketing Agent, amounts due and owing to the Liquidity Provider, and after and to the extent that the County determines that the payment of such remaining amounts may be made without violation of the provisions of the Tax Agreement, shall be paid, upon the expiration of, or upon the sooner termination of, the terms of the Indenture, to the County.

### **Certain Notices Regarding Initial Liquidity Facility**

The County shall notify the Trustee and the Trustee shall notify the owners of the Series 2002B Bonds of the commencement of any proceedings which may result in the occurrence of an Event of Default under the Initial Liquidity Facility of the type described in this Official Statement in paragraph (xi) or (xiii) under the heading 'LIQUIDITY FACILITIES – Initial Liquidity Facility – Events of Default'.

The Trustee shall immediately notify the owners of the Series 2002A Bonds by telephone, facsimile or electronic mail promptly confirmed by telephone, of the occurrence of any event under the Liquidity Facility which would permit the Liquidity Provider to suspend its obligations to purchase tendered Series 2002A Bonds pursuant to the Liquidity Facility.

### **Investment of Moneys**

The moneys on deposit in the Bond Fund may be invested from time to time in Qualified Investments. Any such investments may be sold from time to time by the Trustee without further direction from the County as moneys may be needed for the purposes for which the Bond Fund has been created. The moneys on deposit in each Project Fund shall be invested in any lawful investment for County funds. In addition, the Chief Financial Officer shall direct the Trustee to sell such investments when necessary to remedy any deficiency in the Bond Fund, any Project Fund or any accounts created therein. All other investment earnings shall be attributed to the account for which the investment was made.

## **Events of Default under the Indenture**

Each of the following events will constitute an “Event of Default” under the Indenture:

- (a) default shall be made in the payment of the principal of or redemption premium, if any, on any Outstanding Series 2002A Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) default shall be made in the payment of any installment of interest on any Outstanding Series 2002A Bond when and as such installment of interest shall become due and payable; or
- (c) default in the payment when due of the purchase price of any Series 2002A Bond required to be purchased pursuant to the Indenture or subject to mandatory tender pursuant to the Indenture; or
- (d) the County shall (1) commence a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) make an assignment for the benefit of its creditors, (3) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (4) be adjudicated a bankrupt or any petition for relief shall be filed in respect of an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law and such order continue in effect for a period of 60 days without stay or vacation; or
- (e) a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of the County, or of the whole or any substantial part of its property, or approving a petition seeking reorganization of the County under the Federal bankruptcy laws or any other applicable Federal or state law or statute and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or
- (f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control.

## **Remedies**

Upon the occurrence of any Event of Default, the Trustee may pursue any available remedy by suit at law or in equity to enforce the payment of the principal or purchase price of, premium, if any, and interest on the Series 2002A Bonds then Outstanding, and the performance by the County of its obligations under the Indenture. If requested to do so by the owners of not less than 25% in aggregate principal amount of the Series 2002A Bonds then outstanding, and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise one or more of the rights and powers with respect to remedies as the Trustee, being advised by counsel, shall deem most expedient in the interests of the owners of the Series 2002A Bonds.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default, except (i) an Event of Default under clauses (a), (b) or (c) of “Events of Default under the Indenture” above, (ii) failure by the County to cause to be made any of the payments to the Trustee required to be made by the Indenture, or (iii) any other Event of Default of which the Trustee has actual



knowledge; unless the Trustee is specifically notified in writing of such default or Event of Default by the County, the Remarketing Agent, the Tender Agent, the Liquidity Provider, or the owners of at least 25% in aggregate principal amount of the Series 2002A Bonds then outstanding. All notices or other instruments required by the Indenture to be delivered to the Trustee shall be delivered at the principal corporate trust office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

No owner of any Series 2002A Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless:

(a) an Event of Default has occurred of which the Trustee has been notified or of which the Trustee is deemed to have notice;

(b) the owners of not less than 25% in aggregate principal amount of the Series 2002A Bonds then outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in the name or names of such owners, and shall have offered to the Trustee indemnity as provided in the Indenture; and

(c) the Trustee shall thereafter fail or refuse to exercise the powers so granted, or to institute such action, suit or proceeding in its own name, within 60 days.

Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture.

No owner of the Series 2002A Bonds shall have any right to affect, disturb or prejudice the lien of the Indenture by such owner's action, and all proceedings at law or in equity shall be instituted, had and maintained for the equal and ratable benefit of the owners of all Series 2002A Bonds then outstanding. Nothing in the Indenture, however, shall affect or impair the right of any Series 2002A Bond owner to enforce the payment of the purchase price of a properly tendered Series 2002A Bond when due, or the principal of, premium, if any, and interest on any such Series 2002A Bond at and after the maturity thereof, or the obligation of the County to pay the purchase price, principal of, premium, if any, and interest on any Series 2002A Bond to the owner thereof at the time and place, from the source, and in the manner expressed in such Series 2002A Bond. Nothing in the Indenture shall be construed as permitting or affording any Series 2002A Bond owner a right or cause of action against the Trustee or in respect of the Series 2002A Bonds where a default has been waived or cured as provided in the Indenture.

Upon the occurrence of an Event of Default, the owners of a majority in aggregate principal amount of the Series 2002A Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or for any other proceedings, other than for the payment of the principal or purchase price of, premium, if any, and interest on the Series 2002A Bonds, or any part thereof.

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the owners of a majority in aggregate principal amount of the Series 2002A Bonds then outstanding; *provided* that the Trustee may not waive an Event of

Default described in clauses (a) or (b) of “Events of Default Under the Indenture” above without the written consent of the owners of all Series 2002A Bonds then outstanding.

All moneys relating to the Series 2002A Bonds received by the Trustee pursuant to any right given or action taken under the Indenture, shall (after payment of certain costs and expenses) be deposited into the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Series 2002A Bonds outstanding shall have become due and payable, all such moneys shall be applied:

To the payment of all reasonable costs and expenses of collection, fees and other amounts due to the Trustee under the Indenture;

To the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Series 2002A Bonds and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

To the payment to the persons entitled thereto of the unpaid principal of, and premium, if any, on, the Outstanding Series 2002A Bonds which shall have become due (other than Series 2002A Bonds matured or called for redemption for the payment of which moneys are already held pursuant to the provisions of the Indenture) in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of each Series 2002A Bond due on any particular date, together with such premium, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the outstanding Series 2002A Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due on such Series 2002A Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Series 2002A Bond over any other Series 2002A Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, without any discrimination or privilege.

### **Supplemental Indentures; Amendments to the Bond Ordinance**

The Trustee shall inform the Tender Agent, the Remarketing Agent and the Liquidity Provider of any amendment or supplement to the Indenture affecting the respective rights and obligations of the Tender Agent, the Remarketing Agent and the Liquidity Provider, and such amendment or supplement shall not become effective unless and until the Tender Agent, the Remarketing Agent or the Liquidity Provider, as the case may be, shall have consented in writing to the provisions thereof which affect its rights and obligations. Neither the County nor the Trustee shall consent to or waive noncompliance by any person or entity with respect to any term of the Indenture that affects the rights and obligations of the Liquidity Provider without the written consent of the Liquidity Provider.

The County and the Trustee may, without consent of or notice to any of the owners of the Series 2002A Bonds, amend or supplement the Indenture for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission; (b) to grant or confer to the Trustee, for the benefit of the owners of the Series 2002A Bonds, any additional rights, remedies, powers or authority

that may lawfully be granted to or conferred upon the owners of the Series 2002A Bonds or the Trustee; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to modify the Indenture to permit qualification under the Trust Indenture Act of 1939 or any similar Federal statute at the time in effect, or to permit the qualification of the Series 2002A Bonds for sale under the securities laws of any state of the United States; (e) to add other agreements of the County or to surrender or limit the County's rights; (f) to elaborate on any provisions necessary to exercise any conversion options; (g) to add additional Modes; (h) to provide for the substitution of an Alternate Liquidity Facility; (i) to provide that all or a portion of the Series 2002A Bonds may be secured by a Credit Facility or other additional security not otherwise provided for in the Indenture; (j) to modify, amend or supplement the Indenture in such manner as the Trustee, the Tender Agent and the Remarketing Agent deem necessary in order to comply with any statute, regulation, judicial decision or other law relating to secondary market disclosure requirements with respect to obligations of the type that includes the Series 2002A Bonds; (k) to provide for the appointment of a successor securities depository; (l) to provide for the availability of certificated Series 2002A Bonds; or (m) to make any change that does not in the opinion of the Trustee materially adversely affect the rights of any Bond owner.

The County and the Trustee may, without the consent of, but with due notice to, any Bond owners, amend or supplement the Indenture prospectively in any way they may agree if the effective date of such amendment coincides with a tender date for all outstanding Series 2002A Bonds; *provided* that any such amendment shall not be in derogation of any continuing rights of prior Series 2002A Bond owners.

If an amendment of or supplement to the Indenture or the Series 2002A Bonds without any consent of the holders of such Series 2002A Bonds is not permitted as described above, the County and the Trustee may enter into such amendment or supplement with the consent of the holders of at least a majority in principal amount of the Series 2002A Bonds then outstanding. However, the consent and approval of the owners of all of the Series 2002A Bonds then outstanding is necessary to effect (a) an extension of the maturity of the principal of, or the time for payment of any redemption premium or interest on, any Series 2002A Bond, or a reduction in the principal amount of any Series 2002A Bond, or the rate of interest or redemption premium thereon, or a reduction in the amount of, or extension of the time of any payment required by, any Series 2002A Bond, or a material modification of the owners' optional tender rights; (b) a privilege or priority of any Series 2002A Bond over any other Series 2002A Bond (except as provided in the Indenture); (c) a reduction in the aggregate principal amount of the Series 2002A Bonds required for consent to such a supplemental indenture; (d) the deprivation of the owner of any Series 2002A Bond of the lien created by the Indenture; (e) except as for the substitution of an Alternate Liquidity Facility or the amendment of a Liquidity Facility as permitted by the Indenture, an alteration of the obligations of the Liquidity Provider under the Liquidity Facility; or (f) the amendment of the provisions of the Indenture concerning such consent. No amendment or supplement to the Indenture may be entered into without the Trustee and the County first receiving an opinion of Bond Counsel to the effect that such amendment or supplement is authorized under the Indenture and the Act, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2002A Bonds.

The Trustee will give to the Bondholders notice of any such supplemental Indenture.

Supplemental Bond Ordinances may be passed as follows:

(a) *Supplemental Ordinances Not Requiring Consent of Bondholders.* The County, and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Ordinance, may pass and accept a supplemental ordinance, for any one or more of the following purposes: (i) To add to the covenants and agreements of the County in the Ordinance, other covenants and agreements thereafter

to be observed or to surrender, restrict or limit any right or power therein reserved to or conferred upon the County; (ii) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Ordinance, or in regard to matters or questions arising under the Ordinance, as the County may deem necessary or desirable and not inconsistent with the Ordinance and which in the opinion of the Trustee shall not adversely affect the interests of the registered owners of the Series 2002A Bonds; (iii) To designate one or more tender or similar agents of the Trustee, bond registrars or paying agents; (iv) To comply with the provisions of the Bond Ordinance when money and the Defeasance Obligations designated therein sufficient to provide for the retirement of Series 2002A Bonds shall have been deposited with the Trustee; and (v) as to Series 2002A Bonds which are authorized but unissued under the Ordinance to change in any way the terms upon which such Series 2002A Bonds may be issued or secured.

Any supplemental ordinance so authorized may be passed by the County and accepted by the Trustee without the consent of or notice to the registered owners of any of the Series 2002A Bonds at the time outstanding, but the Trustee shall not be obligated to accept any such supplemental ordinance which affects the Trustee's own rights, duties or immunities under the Ordinance or otherwise.

(b) *Supplemental Ordinances Requiring Consent of Bondholders.* With the consent of the registered owners of not less than a majority in aggregate principal amount of the Series 2002A Bonds, at the time outstanding, the County may pass, and the Trustee may accept from time to time and at any time supplemental ordinance or ordinances for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Ordinance or of any supplemental ordinance; provided that no such modification or amendment shall extend the maturity or reduce the interest rate on or otherwise alter or impair the obligation of the County to pay the principal, interest or redemption premium, if any, at the time and place and at the rate and in the currency provided therein of any Series 2002A Bond, without the express consent of the registered owner of such Series 2002A Bond or permit the creation of a preference or priority of any Series 2002A Bond or Series 2002A Bonds over any other Series 2002A Bond or Series 2002A Bonds, or reduce the percentage of Series 2002A Bonds, respectively, required for the affirmative vote or written consent to an amendment or modification, or deprive the registered owners of the Series 2002A Bonds of the right to payment of the Series 2002A Bonds from the Pledged Taxes without the consent of the registered owners of all the Series 2002A Bonds then outstanding. Upon receipt by the Trustee of a certified copy of such ordinance and upon the filing with the Trustee of evidence of the consent of Bondholders, the Trustee shall accept unless such supplemental ordinance affects the Trustee's own rights, duties or immunities under the Ordinance or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, accept such supplemental ordinance.

Promptly after the passage by the County and the acceptance by the Trustee of any supplemental ordinance pertaining to the Series 2002A Bonds, the County shall publish a notice as set forth in the Bond Ordinance. Any failure of the County to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental ordinance.

### **Amendments to the Liquidity Facility**

The Liquidity Facility may not be modified other than to (a) correct any formal defects in the Liquidity Facility, (b) effect transfers thereof, (c) effect extensions thereof, (d) effect an increase in the stated amount of the Liquidity Facility, (e) effect reductions and reinstatements thereof, all in accordance with the terms of the Liquidity Facility as then in effect, (f) change the representations and warranties made therein by the County, (g) change the rate of interest payable by the County on advances made by the Liquidity Provider thereunder and any other compensation payable thereunder to other commercially reasonable terms or (h) make any other change consistent with effecting the provisions of clauses (a)

through (g) hereof, unless there is delivered to the County and the Trustee an opinion of Bond Counsel to the effect that such modification will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2002A Bonds. In addition, the Liquidity Facility may not be amended to reduce the amount that may be demanded for payment under the Liquidity Facility to be less than the Required Amount of the Liquidity Facility or to change the terms and conditions pursuant to which the Liquidity Provider will honor a demand made by the Trustee in accordance with the terms of the Indenture for payment under the Liquidity Facility without the consent of the County and 100% of the owners of the Series 2002A Bonds supported by such Liquidity Facility.

### **Discharge of Indenture**

While in a Long-Term Mode, a Series 2002A Bond shall be deemed to be paid for all purposes of the Indenture when (a) payment of the principal of and the redemption premium, if any, on such Bond, plus interest thereon to Maturity, has been provided to the Trustee by irrevocably depositing with the County and the Trustee, in trust, and the Trustee has irrevocably set aside exclusively for such payment, any combination of (i) funds sufficient to make such payment, and/or (ii) Defeasance Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will, in the opinion of an independent certified public accountant delivered to the County and the Trustee, provide sufficient moneys, without reinvestment of any matured amounts, to make such payment without reinvestment; (b) the Trustee has been given irrevocable written instructions to call all outstanding Series 2002A Bonds for redemption on a date certain, which date shall be a date prior to the end of any Adjustable Rate Period of greater than one year then in effect, if such Series 2002A Bonds are to be called for redemption prior to Stated Maturity; (c) the Trustee has received a verification report of an independent certified public accountant with respect to the sufficiency of such deposit; and (d) all necessary and proper fees, compensation and expenses of the Trustee and the Tender Agent pertaining to the Series 2002A Bonds have been paid or the payment thereof provided for to the satisfaction of the Trustee.

While in a Weekly Rate Mode, CP Rate Mode or Short-Term Mode which is an Adjustable Rate Mode, a Bond shall be deemed to be paid when (a) payment of (i) the principal and the applicable redemption premium, if any, on such Bond, plus interest thereon to Maturity and (ii) the purchase price for such Bond if tendered for purchase prior to Maturity has been provided to the Trustee by irrevocably depositing with the Trustee, in trust, and the Trustee has irrevocably set aside exclusively for such payments, funds in any amount sufficient to make such payments; (b) the Trustee shall have been given irrevocable written instructions to call all outstanding Series 2002A Bonds for redemption on a date certain, if such Series 2002A Bonds are to be called for redemption prior to Stated Maturity; (c) the Trustee has received a verification report of an independent certified public accountant with respect to the sufficiency of such deposit; (d) the Trustee receives notice from each Rating Agency, promptly confirmed in writing to the Trustee, stating that the rating on the Series 2002A Bonds will not be suspended or withdrawn and stating what rating the Series 2002A Bonds will bear after payment is provided therefor in accordance with this paragraph and that such rating is not lower than the rating borne by the Series 2002A Bonds immediately prior to any such provision for payment; and (e) all necessary and proper fees, compensation and expenses of the Trustee and the Tender Agent pertaining to the Series 2002A Bonds have been paid or the payment thereof provided for to the satisfaction of the Trustee. If a Bond for which funds have been so deposited with the Trustee is tendered for purchase prior to its Maturity, the purchase price for such Bond shall be paid with such funds; upon payment of such purchase price such Bond shall not be remarketed but shall be cancelled by the Trustee. Funds deposited with the Trustee as described in clause (a) above shall either not be invested or shall be invested in Defeasance Obligations that mature in a principal amount not less than their original purchase price and have maturity dates not later than the dates on which such moneys will be needed to pay the redemption price or purchase price of the Series 2002A Bonds, and in no event later than seven days after their date of purchase.

If provision for payment of a Series 2002A Bond is being made as described above and the interest rate on such Bond may change or be reset during the period between the date that funds and/or Defeasance Obligations are deposited with the Trustee and the date that such Series 2002A Bonds are purchased, redeemed or otherwise paid, then the amount of such funds and/or Government Obligations (taking into account the proceeds thereof) to be deposited with the Trustee shall be sufficient to pay the principal of, premium, if any, and interest on such Series 2002A Bond when to Maturity and purchase price for such Series 2002A Bond if tendered for purchase prior to its Maturity assuming that such Series 2002A Bond bore interest at the rate of 10% per annum during such period. The maximum interest rate that such Series 2002A Bond may bear during the period between the date funds and/or Government Obligations are deposited with the Trustee and the date that such Series 2002A Bond is purchased, redeemed or otherwise paid is 10% per annum. After payment of such Series 2002A Bond, if, as a result of any such interest rate assumption, excess funds remain on deposit with the Trustee, subject to compliance with the provisions of the Indenture, such funds shall be returned to the County.

Upon payment or provision for payment of any Series 2002A Bonds as described above, and if the County is not in default under any of the other covenants and promises in such Series 2002A Bonds and the Indenture, and if the County has paid or caused to be paid to the Trustee all sums of money due or to become due under such Series 2002A Bonds or the Indenture, such Series 2002A Bonds will no longer be secured by or entitled to the benefits of the Indenture or be an obligation of the County, except for payment from moneys or Defeasance Obligations which have been so deposited with the Trustee, and the Trustee will take such actions, at the request of the County, as may be necessary to evidence the cancellation and discharge of the lien of the Indenture.

### **Replacement of Trustee**

The Trustee may resign by notifying the County, the Tender Agent, the Remarketing Agent, the Liquidity Provider and the owners of the Series 2002A Bonds then outstanding. The holders of a majority in principal amount of the Series 2002A Bonds then outstanding may remove the Trustee by written notice to the removed Trustee, the County, the Liquidity Provider, the Remarketing Agent and the Tender Agent.

The County may appoint a temporary successor Trustee until a permanent successor is appointed by the owners of a majority in aggregate principal amount of the Series 2002A Bonds.

## **APPENDIX E**

### **BOOK-ENTRY ONLY SYSTEM**

## **BOOK-ENTRY ONLY SYSTEM**

**General.** The Series 2002A Bonds will be registered under a book-entry system, with bond certificates immobilized at The Depository Trust Company (“DTC”) and not available for distribution to investors. The book-entry system will evidence beneficial ownership of the Series 2002A Bonds with transfers of beneficial ownership effected on the records of DTC and its participating organizations (“Direct Participants”) pursuant to rules and procedures established by DTC. Payments of principal of and interest on the Series 2002A Bonds will be made in immediately available funds to DTC or its nominee as the registered owner of the Series 2002A Bonds. Transfer of principal and interest payments to Direct Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners by Direct Participants of DTC will be the responsibility of such Direct Participants and other nominees of beneficial owners.

THE FOLLOWING INFORMATION HAS BEEN FURNISHED BY DTC FOR USE IN THIS OFFICIAL STATEMENT.

The following information has been furnished by DTC for use in this Official Statement. The County is not responsible for its accuracy or completeness.

DTC will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Series 2002A Bond certificate will be issued in the aggregate principal amount and maturity of the Series 2002A Bonds, and will be deposited with DTC or the Trustee, as the agent of DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC’s records. The ownership



interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued. See "THE SERIES 2002A BONDS – Effect on Series 2002A Bonds of Discontinuance of Book-Entry System."

To facilitate subsequent transfers, all Series 2002A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002A Bonds with DTC and their registration in the name of Cede & Co. effect no change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2002A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2002A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption and interest payments on the Series 2002A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee on the Payment Date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption price to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to have its Series 2002A Bonds purchased, pursuant to the tender provisions described in this Official Statement, through its Participant, to the Tender Agent and/or

the Remarketing Agent, as appropriate, and shall effect delivery of such Series 2002A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2002A Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2002A Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Series 2002A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2002A Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the County and the Trustee. Under such circumstances, if a successor securities depository is not obtained, certificates for the Series 2002A Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2002A Bonds will be printed and delivered.

For every transfer and exchange of the Series 2002A Bonds, the Trustee and DTC and the DTC Participants will charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The County and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Series 2002A Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner, of any notice with respect to the Series 2002A Bonds, including any tender notice or notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner, of any amount with respect to principal of or interest on the Series 2002A Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

## **APPENDIX F**

### **DESCRIPTION OF INITIAL LIQUIDITY PROVIDER**

### *Dexia Credit Local*

Dexia is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business—public and project finance and financial services for the public sector. Worldwide, Dexia federates group entities involved in this business and spearheads their development. Dexia has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean. Dexia, known as Dexia Public Finance Bank until March 8, 2001, is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2000 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2000, total funding raised by Dexia and Dexia Municipal Agency was 11 billion euros.

The acquisition by the Dexia Group of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for FSA was completed on July 5, 2000. As of December 31, 2000, Dexia had total consolidated assets of 145.9 billion euros, outstanding medium and long term loans to customers of 117.6 billion euros and shareholders' equity of nearly 2.8 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 578 million euros, determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2000, the exchange rate was 1.0000 euro equals 0.9305 United States dollar. Such exchange rate fluctuates from time to time. Dexia is rated Aa2 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Agency, 445 Park Avenue, 8<sup>th</sup> Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.